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PHILIPPINES
Economy held hostage by coup plotters
Page 6

World News

Congressmen press for bigger US defence cuts

The Bush Administration's proposals for squeezing US defence spending are being challenged by key congressional leaders for not going far enough, since they take insufficient account of the reduced Soviet military threat to Nato in Europe.

More than a month ahead of the formal presentation of the defence budget for fiscal 1991, congressional leaders have signalled that a wide-ranging reassessment of US defence priorities and spending must be undertaken. Page 16

EC controls 'flawed'
Serious flaws in the European Community's budgetary management procedures are highlighted in a controversial report which alleges that controls over the EC's Ecu27bn ($31.4bn) farm spending are inadequate. Page 16

Croatia looks to poll
The Communist Party in Croatia, Yugoslavia's second-biggest republic, endorsed multi-party rule, paving the way for free elections next April.

Prague to cut jobs
The new Czechoslovak Government said 2,000 uranium miners would lose their jobs in the first announcement that its plans for economic restructuring could result in unemployment.

Poland backs banks
Poland's Solidarity-led Government has authorised five major West European banks to open offices but they will not be allowed to trade with the public, a Finance Ministry official said.

Aquino powers vote
The Philippine House of Representatives voted President Corazon Aquino emergency powers for 90 days to help her rebuild the economy and thwart coup attempts. The Senate, expected to approve a similar bill, postponed its vote for a day. Page 2; Philippines economy, Page 6

Boat people protest
More than 6,000 Vietnamese boat people staged angry demonstrations in three detention centres against Hong Kong's mandatory repatriation policy which started two days ago. Page 6

US boosts food aid
The US, warning that Ethiopia faces a food shortage which could rival the famine of 1984-85, is giving a further 111,000 tonnes of assistance. It brings total US food commitments so far to 165,000 tonnes. Page 6

Delhi frees rebels
India's new minority government released five Kashmiri separatists in exchange for the Interior Minister's daughter, kidnapped five days ago.

Judges shut courts
Judges in Medellin, Colombia, closed 508 courts in the city and surrounding areas in protest at the bus stop assassination of a senior federal prosecutor who handled major narcotics cases.

Guerrillas acquitted
A Rome court acquitted 168 Red Brigades guerrillas charged with armed insurrection and inciting civil war, saying they had never seriously endangered the Italian republic. The defendants had already been sentenced to jail terms for crimes in other cases.

Moscow burger blitz
More than 25,000 Muscovites, eager to flip burgers beneath the golden arches, have swamped Moscow's first McDonald's hamburger restaurant with job applications, a restaurant spokesman said.

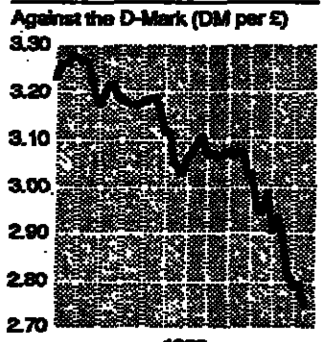
Business Summary

Tokyo stock market soars to reach record high

The Japanese stock market soared to a record, taking the Nikkei index over 38,000 for the first time. The Nikkei closed at 38,062.42, up 258.89, with most brokers reporting buying from all kinds of investors. Page 17

D-MARK was prevented from rising as European central banks stepped in to sell the West German currency in an attempt to limit growing tensions within the EMS. In London, the pound and dollar recovered some early losses and sterling closed slightly down at DM2.775. Currencies, Page 34

Sterling
Against the D-Mark (DM per £)



UK GOVERNMENT is unhappy about holding golden shares in privatised companies, which usually place limits on the size of single or foreign shareholdings, said Nicholas Ridley, Trade and Industry Secretary. Page 8

SOVIET UNION is to buy 500 cars from Nissan, apparently in a move to placate disgruntled coalminers in the Siberian city of Kemervo. Page 16

ASEA Brown Boveri, Swedish-Swiss electrical engineering group, appears to be close to acquiring a majority interest in Zamech, Poland's largest turbine and generator maker. Page 17

DAIMLER-BENZ, West German industrial group, has pulled out of the bidding for Ferranti International Signal. Page 17

LONDON stock market's automated clearing and settlements system, Taurus, received the go-ahead after eight years of effort. Page 8

US retail sales rose by 0.8 per cent to $144.6bn in November, according to preliminary figures from the Department of Commerce. Page 3

DEUTSCHE BANK, West Germany's biggest bank, announced that profits surged across the board in the first 10 months of 1989. Page 18

INTERNATIONAL Monetary Fund is expected to visit Peru next month to start talks on the development of an economic programme, following a $42.3m interest payment by Lima to the IMF. Page 3

VASP, Brazil's only government-owned airline, which is struggling with debts of $600m, is to be privatised next year. Page 19

MOROCCO'S parliament has adopted legislation to privatise 113 enterprises including four banks and 37 hotels, said an official source. Page 6

INDIA is to introduce further "selective" import curbs in an effort to slow down the fall in its foreign exchange reserves. Page 6

MALAYSIA is to halve the minimum value of corporate bond issues to 25m ringgit ($9.24m) from the beginning of next year. Page 20

EUROPEAN Community agreed to phase out by March 1992 its voluntary steel import quotas with all third countries, as part of its general agreement on trade with the US. Page 4

West pledges aid to reformed East bloc governments

By David Buchan in Brussels, Peter Riddell in Washington and Peter Norman in London

LEADING industrial countries yesterday announced their readiness to widen the scope of financial assistance to Eastern Europe to include East Germany, Czechoslovakia, Bulgaria and Yugoslavia.

A communique issued after a meeting in Brussels of foreign ministers of the Group of 24 aid donors, which include the European Community states, the US and Japan, said that aid under way to Poland and Hungary could be extended to the four other East European states "at the time they put into place the necessary political and economic reforms."

The 24 confirmed previously-announced pledges of grants and soft loans totalling $1bn for a currency stabilisation fund for Poland. This would be made available once Poland has reached agreement on a economic adjustment programme with the International Monetary Fund.

IMF and Polish officials have indicated that an agreement in principle with Poland on a $725m IMF credit – a so-called letter of intent – could be in place by the end of the week. This would also make Poland immediately eligible for a $500m bridging loan from member central banks of the Basle-based Bank for International Settlements, and the US.

The US confirmed yesterday that it will contribute up to $200m towards the bridging loan. A White House spokesman said the American participation reflected "support for Poland's economic reform programme designed to restore sustained growth."

The bridging loan would be repaid by some of the proceeds of the IMF credit, which will take time to be formally approved, and from World Bank loans.

The EC is also planning early next year a further Ecu200m ($172m) grant in food aid to Poland, on top of the Ecu360m worth already pledged this year, said Mr Frans Andriessen, responsible for external affairs in the European Commission. The EC is coordinating the Western aid effort in Brussels and with newly-opened offices in Warsaw and Budapest.

Non-EC countries will contribute to the second slice of food aid for Poland, including Japan which is considering spending $50m, some of it on buying Hungarian food and giving it to Poland. This would help both to put hard currency in Hungarian pockets and food in Polish mouths. The technique has already been used by Switzerland, which like Japan, but unlike the EC, the US and some other Western countries, has no food surpluses to offload.

The European Community's plan for a European Bank for Reconstruction and Development yesterday attracted interest from some possible participants outside the EC. The US and the Community also agreed to seek a link between the development bank and an American plan for a $300m enterprise fund for Poland and Hungary.

At a conference organised by the London School of Economics yesterday, an adviser to the Polish Government warned that the agreement with the IMF could cause inflation in Poland to rise to between 50 per cent and 60 per cent a month in January before declining to a monthly rate of around 5 per cent in April and between 1 per cent and 2 per cent a month in the second half of next year.

Mr Stanislaw Gomulka, an LSE economist and adviser to Polish finance minister Mr Leszek Balcerowicz, said the IMF and the Polish Government have agreed on a mixture of an incomes policy and tight monetary policy.

To meet the Polish government's money supply targets nominal interest rates could rise to 130 per cent a month at the start of 1990 before falling in line with inflation in February and March. Mr Gomulka said that the IMF programme also implied a large devaluation of the Zloty in January.

The programme harboured risks, he said. High interest rates, higher coal and energy costs and the depreciation of the currency would increase cost pressures. Economic restructuring would also lead to job losses.

Mr Douglas Hurd, the UK foreign secretary, said in Brussels that Britain was giving $100m to the Polish stabilisation fund, out of total aid of $244m next year to that country and $20m to Hungary. But he warned that the challenge of political reform was outstripped by the difficulty these countries faced "in moving from a command to a market economy, without falling into the chasm in between."

Mr Michel Camdessus, the IMF managing director, told the Brussels meeting that a Fund agreement with Hungary was also likely within the next few weeks.

The group of 24 set no precise criteria or timetable on a possible broadening of aid beyond Poland and Hungary. In fact, with the rush of events in Eastern Europe, East Germany, Czechoslovakia and Bulgaria are now in the same political boat as Hungary, with free elections promised next year.

East Germany may join IMF, Page 2; Yeutter urges more investment in Poland, Page 3


Ryzhkov: rejected calls

Moscow to delay plans for reform

By Quentin Peel in Moscow

THE SOVIET Government yesterday bowed to the popular and bureaucratic backlash against economic reform, announcing fresh delays in price reforms, police measures to curb the black market and drastic cuts in imports to restore balance of payments equilibrium.

In a speech billed as the Soviet authorities' vision of perestroika, Mr Nikolai Ryzhkov, the Prime Minister, opted for a version in which reform of the economy is supposed to come through the old central planning process, with a huge switch of resources into consumer goods manufacture and food production, and away from heavy industry.

He rejected calls to introduce private property, widespread denationalisation of state property or swift monetary reform to stop the accelerating decline of the Soviet economy.

Continued on Page 16

Mandela and de Klerk hold first meeting

By Patti Waldmeir in Johannesburg

Mr F W de Klerk, the South African President, and Mr Nelson Mandela, the jailed leader of the African National Congress (ANC), met yesterday for the first time to discuss the country's political future.

The meeting, seen as the opening round of preliminary talks, takes the two sides an important step closer to substantive negotiations on a new constitution for South Africa.

Reaction to the event was mixed. The country's extreme right Conservative Party, which won 31 per cent of the white vote in last September's parliamentary elections, immediately denounced the talks.

The initial response of black anti-apartheid leaders, some of whom fear Mr Mandela may be prepared to make too many compromises, was cautious. "We do not know what they discussed, but we are certain Mandela cannot deviate from the people's long-standing demands," said Mr Murphy Morobe, a prominent activist.

The Ministry of Justice said that Mr Mandela, imprisoned since 1962, had requested the meeting, which took place yesterday morning at Tuynhuys, the President's office in Cape Town. It is to be followed by further talks in the New Year.

It was not clear yesterday whether these follow-up talks would take place before or after Mr Mandela's release from prison, which is widely expected to take place early in 1990. Almost all black leaders in South Africa insist that his release is essential before talks on a settlement can begin.

The meeting went a step beyond the symbolic. The Ministry statement, which said the Ministers of Justice and Constitutional Development had also been present, indicated that the men had explored "ways and means to address current obstacles in the way of meaningful dialogue."

Last weekend's historic anti-apartheid conference in Johannesburg reaffirmed the ANC's public insistence on preconditions, which include the release of Mr Mandela, ending the three-year state of emergency, and unbanning political organisations.

However, both have shown some flexibility on pre-conditions in recent weeks.

News of the meeting will cause further dissatisfaction among radical blacks, who accuse Mr Mandela of negotiating without a mandate from those he represents, and who fear he will make too many compromises to reach a political settlement.

Senior leaders of the Mass Democratic Movement, the country's largest anti-apartheid grouping, said last night they did not know about yesterday's meeting. Even Mr Walter Sisulu, the veteran ANC leader who met Mr Mandela for three hours on Tuesday, said he had not been informed.

Background, Page 6

Too-early UK entry 'could hurt EMS'

By Simon Holberton, Economics Staff, in London

BRITAIN had much to gain from entry into the exchange rate mechanism of the European Monetary System, but premature participation could damage not only the British economy but the EMS, Mr Robin Leigh-Pemberton, Governor of the Bank of England, said in Florence yesterday.

He said there would be considerable economic risks for the UK and others if sterling joined the ERM before "a better balance is restored to our economy, which means before UK inflation and interest rates are more in line with those prevailing elsewhere in the [European] Community."

In a speech outlining his views on European economic and monetary union, the Governor said an independent Bank of England would be better at obtaining and sustaining a low rate of inflation necessary for the pound's stability within the EMS.

A year ago, Mr Nigel Lawson, then Chancellor of the Exchequer, put forward a plan to the Prime Minister which would have provided for greater Bank independence. Mrs Thatcher told the Commons recently that she rejected

Continued on Page 16

Bulgaria Communists expel former leader

Bulgaria's Central Committee yesterday decided to move fast to end its automatic right to the leading role in government and expelled former leader Todor Zhivkov from the Communist Party. However, it also emerged that the new leader of the party, Mr Petar Mladenov, had threatened to resign because of mounting demands and criticism from more radical party members. Page 2

Nissan cars destined for unhappy miners

The Soviet Union is to buy 500 Nissan cars, apparently to placate Siberian miners in regions where strikes broke out last summer. A Nissan spokesman said in Tokyo that the company had been told that the cars, representing a deal worth about $2.7m and the largest Soviet order received by a Japanese car maker, would be shared among the miners and their representatives. Page 16

China moves back to more centralisation

China's new hard-line leadership has retreated further from reform and reverted to greater central economic control and more curbs on private enterprise. New rules allocate a bigger share of output to the state, punishing the emergent free-enterprise system. The move comes just as the West has begun to relax sanctions imposed after China's crackdown on its pro-democracy movement. Page 16

Paribas fails to win control of Compagnie Navigation Mixte

By George Graham in Paris

PARIBAS, the French investment bank, has failed to win control of Compagnie Navigation Mixte, the food to financial services conglomerate for which it launched a FFr28bn ($5.2bn) takeover bid in October.

According to preliminary estimates, confirmed yesterday by Paribas, the results of the public offer will give Paribas around 40 per cent of Navigation Mixte's shares, including the 26-27 per cent it has already bought in the market.

The final count, complicated by the existence of a paper alternative to Paribas's cash offer of FFr1,887 a share, is not expected to be completed before December 22, and the results announcement is scheduled for January 17.

By then, Paribas will have decided whether or not to accept the shares tendered to its offer, which was conditional on winning 50 per cent of Navigation Mixte. Paribas officials said yesterday that no decision had yet been taken on what policy to adopt. It could refuse the shares tendered, sticking at its current 27 per cent stake, or take them, with the hope of building up to a majority of Navigation Mixte's capital, with or without partnership.

The bank is prohibited from buying more shares above its bid price until the results have been officially declared. French bankers suggested yesterday, however, the most likely solution would be for everyone to negotiate a settlement.

The Paribas bid, originally launched at FFr1,850 a share, was the second largest offer ever made on the Paris stock exchange, after Suez's offer this summer for Victoire, the insurance group, valuing it at FFr38.7bn. It was also the first contested bid to be carried out under new takeover rules introduced by the stock exchange in the wake of legislation on the transparency of financial markets.

The course of the bid was marked by the complaints of Paribas, which felt that a group of shareholders friendly to Mr Marc Fournier, Navigation Mixte's chairman, had undertaken a concert party defence covered by the new rules.

The stock market authorities – both the stock exchange council and the Commission des Operations de Bourse, the regulatory watchdog – took a different view of the texts, however, although they did require statements from Mr Fournier's defenders that they were not acting in concert.

While regulatory officials acknowledge that some minor problems with the new rules were thrown up, they do not feel that there would be any point in rushing to change them again on the experience of a single contested bid.

Paribas executives had firmly predicted that Navigation Mixte's share price would collapse as soon as their bid closed. In fact, however, the shares have remained buoyant, trading above FFr1,900 yesterday.

MARKETS

STERLING
New York lunchtime:
$1.59665
London:
$1.595 (1.6035)
DM2.775 (2.78)
FFr9.485 (9.51)
SFr2.5125 (2.53)
Y229.75 (230.75)
£ index 86.7 (87.1)

GOLD
New York: Comex Feb
$412.9 (422.8)
London:
$411.75 (417.25)

N SEA OIL (Argus)
Brent 15-day
$19.625 (19.475)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.735
FFr5.932
SFr1.5664
Y144.05
London:
DM1.74 (1.7345)
FFr5.9475 (5.93)
SFr1.575 (1.577)
Y144.1 (143.85)
$ index 68.0 (68.3)
Tokyo close: Y143.70

US LUNCHTIME RATES
Fed Funds $8\frac{5}{8}$%
3-mo Treasury Bills:
yield: 7.951%
Long Bond:
$102\frac{23}{32}$
yield: 7.88%

STOCK INDICES
FT-SE 100:
2,386.2 (+22.7)
FT Ordinary:
1,880.1 (+18.6)
FT-A All-Share:
1,186.76 (+0.8%)
New York lunchtime:
DJ Ind. Av.
2,765.57 (+13.44)
S&P Comp
353.15 (+1.42)
Tokyo: Nikkei
38,062.42 (+258.89)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{16}$% ($15\frac{1}{32}$)
Liffe long gilt future:
Mar $92\frac{7}{32}$ ($92\frac{1}{4}$)

MARKET REPORTS: CURRENCIES, Page 34; BONDS, Page 20, 21; COMMODITIES, Page 26; EQUITIES, Pages 27 (London), 35 (World)

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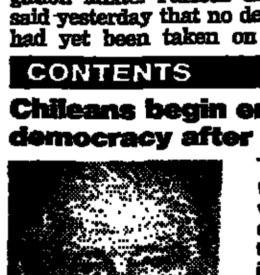
Chileans begin era of democracy after elections



Today's elections mark a new beginning with Gen Augusto Pinochet due to turn in the presidential sash in March. He could remain as commander-in-chief of the army, but he now seems to yearn for historical justification.
Page 3

Former Bulgarian leader Zhivkov is ousted from the Party

By Judy Dempsey in Sofia

MR Todor Zhivkov, Bulgaria's former hardline Communist leader was yesterday expelled from the party on the same day that the Central Committee also decided that it would move fast to abolish its automatic right to a leading role in the country.

The Central Committee said it would ask the National Assembly, which meets on Thursday, to repeal two paragraphs of Article One of the Constitution which enshrine the Communists' leading role in society.

However, despite the speed with which the Party is undertaking reform, an internal letter, written by the central committee secretariat, and distributed to all party organisations, paints a picture of deep concern about the growing opposition movement, as well as serious fears that the situation in the country could become unstable.

At the same time, as divisions within the party sharpened during this week's central committee plenum, it appears that Mr Petar Mladenov, the new party leader, threatened to resign in the face of mounting demands and criticism from some of the more radical party members.

The four-page document, released to party organisations last Tuesday, describes the "situation in our country as radically different than in other Socialist countries, where, in East Germany, we witness the destabilisation of society . . . [But] some groups (in Bulgaria) display anti-Socialist and anti-party tendencies . . . which could destabilise the situation."

In particular, the letter criticises Podkrepa, the independent union movement, which in recent weeks has attracted a membership of 35,000, and has applied to be registered as a legal trade union.

It says that Podkrepa and some other groups "are trying to direct or channel the events towards breaking the normal course of renewal by formulating unrealistic demands of the Bulgarian Communist Party and state leadership".

At the same time, however, the letter concedes that there are some groups, such as the environmental movement, which "organise a constructive discussion".

And it recommends that "we make a distinction between these constructive, though highly critical, forces and those who are against socialism".

So far, the new party leadership, which has been in power for only a month and is anxious to gain broad, popular support, has given the rapidly growing opposition the freedom to demonstrate, to campaign for new members, and to gain access to the official mass media.

And in what could be a sign of the growing authority of Mr Mladenov, and particularly of Mr Andrei Lukanov, the party's number two, who is in charge of economic and cadre policy, the leadership has categorically ruled against "the use of force".

"Only political means (should be used) to create the conditions for effective stability . . . it is absolutely necessary to start a dialogue with all those who have constructive ideas and goals," the letter says.

However, it is widely believed that conservative party leaders in the provinces, which have not yet been affected by purges, are deeply hostile to the opposition and any diminution of party control over society.

Gysi crosses Berlin to charm the West

By Leslie Colitt in Berlin

MR GREGOR GYSI, the unassuming 41-year-old lawyer-turned-East German Communist party leader, has achieved what his deposed predecessor, Mr Erich Honecker, was never able or willing to do. He visited West Berlin.

In the process he thoroughly charmed its residents. He drove through the Berlin Wall on Tuesday evening like tens of thousands of his fellow citizens, but not to ogle lavishly decorated Western shop windows. He fulfilled a speaking engagement at the West German Public Services and Transport Union made well before his surprise elevation last weekend to the top post.

Mr Gysi embodied the radical changes taking place in his party and country. Many in the audience were younger lawyers who took special delight in his quick repartee.

The theme of the talk "East Germany on the way to becoming a constitutional state?" was only the starter, although Mr Gysi was uniquely qualified. Until last week he was the lawyer for the New Forum opposition group which aims to topple his Communist Party from power at the first free elections next May 6.

Peering through small round glasses he won over the audience with his opening remarks. "I promised to speak here before I had any idea what I would become. I even forgot my passport. I really don't want to talk about this, maybe we can just chat."

But he did speak about the need for constitutional guarantees of newly won freedoms. He disclosed that a referendum will be held next autumn on a new, liberal constitution. It will in effect be a vote on the "future of the GDR".

"We believe this GDR is the leftist alternative to the Federal Republic," he said to applause. Many Germans in East and West, though, would have disagreed. "My party is dejected, decimated and discredited," he admitted.

A moment later he added: "We made many mistakes in the past. This is why it is important to seek the third way" (between capitalism and orthodox Communism). Asked whether the new constitution would still contain the clause binding the GDR to eternal friendship with the Soviet Union, he remarked: "I would not limit friendship among nations to one country. I feel close to the Soviet Union but I don't know what is going to happen to it."

Queried whether his demoralised party would go into opposition if it lost the elections, he said: "We will accept every result. And what do you mean by losing – under 50 per cent?" His interrogator nodded. "That's not losing," Mr Gysi responded. The audience, recalling forecasts that the party would poll no more than 10 per cent if elections were held now, roared with laughter.

On the subject of a future confederation between the two German states which his party has endorsed, he said he did not know the definition of a confederation and that besides, it was necessary to get to know each other first. "Let us also talk about Europe or we will scare our neighbours. We have other neighbours and you too." A West Berliner called out "we have only one neighbour (East Germany)." "And it will soon be one of the best of neighbours" Dr Gysi shot back to a roar of laughter.

Period of adjustment for Western alliance

An enhanced political role provides only a partial answer to Nato's quandary

THE TIDE of disintegration of the post-war order in Eastern Europe faces the West with many delicate and difficult dilemmas, not the least of which is what to do about the Western alliance. If the Warsaw Pact has virtually ceased to pose an operational threat, how long will it be before Nato goes the same way?

Mr James Baker, the US Secretary of State, sees the point entirely. In his Berlin speech, he argued that the West needed "a new architecture for a new era", and that the solution to the Nato dilemma lay in giving it new political tasks, such as arms control, and the strengthening of East-West co-operation through the Helsinki process.

This is sensible talk, but does it go far enough? Is there not a serious danger in evading, or seeming to evade, the alliance's specifically military quandaries? There is no contradiction in terms, in stressing the political functions of Nato, since any alliance is essentially held together by the cements of politics. Moreover, Mr Baker's idea of giving it new political tasks is only an extension of received wisdom. Ever since the Harmel report of 1967, in keeping with its defensive purpose, Nato has publicly proclaimed its twin-track mission, of detente as well as defence; and these days, both sides agree on the primacy of detente.

One could question some of the new tasks suggested by Mr Baker. It is not evident, for example, that Nato is especially well qualified for promoting economic links between East and West; or for building democratic institutions in the East; or for fashioning a more open environment for trade and investment.

But the real problem with the Baker plan is that he does not address at all the central dilemma of Nato's original raison d'etre, which is as a defensive military alliance. It is all very well stressing the political, but if the military aspects are out of kilter with reality, the alliance will be in real trouble. This is the worm in the apple which risks turning the whole fruit rotten.

Everyone can see that the military threat from the East is very much less than it was. The risk is that large numbers of people will start to argue that Europe no longer faces any threat from

IAN DAVIDSON
ON EUROPE

the East and therefore no longer needs any joint defensive arrangements. That risk will be much greater if Nato renders itself ridiculous, by persisting with an anachronistic strategy for countering an out-dated threat.

Somehow, Nato must adjust to new strategic facts. The first of these is that the Warsaw Pact has lost all military credibility as an offensive alliance. Until further notice, the Soviet Union must obviously continue to be classed as a potential threat to Western Europe, if only because it is a nuclear superpower, but it can no longer rely on the military loyalty of its allies.

The bad news, however, is that Nato's military doctrines are in tatters. Hitherto, the alliance has relied heavily on the deterrence provided by tactical and sub-strategic nuclear weapons in the European theatre, in large part to compensate for weaknesses in conventional forces. That reliance will now need some fundamental revision.

It is not just that the Vienna negotiations have a fair chance of eliminating the Eastern advantage in conventional forces, and thus most of the rationale for theatre nuclear weapons. More important, the political transformations now taking place in Eastern Europe completely undermine the political acceptability of a doctrine which assumes the use of nuclear weapons against East Germany, Czechoslovakia or Poland.

The paradox is that the only land-based missiles which might now have residual political credibility in the West, are those which we have just negotiated away – the cruises and Pershings which could fly over Eastern Europe and reach the Soviet Union.

By contrast, it is absolutely clear that the West Germans will now never agree to the deployment of a modern successor to the Lance short-range missile. As a result, it is probable that the territory of West Germany will be progressively de-nuclearised, and that in the medium term political taboos will confine nuclear weapons to the territory of nuclear weapon states. This would not necessarily be bad, since it would ensure that they were held more securely at a distance from any putative battlefield; but it would be very different.

One of the consequences of the new detente is that America's military presence in Europe will be significantly reduced. Unless there is a rush for the exit, with Belgium and Denmark jostling to disband their forces before the US does, logic would require the Europeans to play a larger role in the leadership of the alliance, and in the determination of alliance strategy.

Above all, the new configuration in Eastern Europe ought to make a rather large difference to the relative roles of France, Britain and West Germany in the defence of Western Europe. With a lower threat and a negotiated balance in conventional forces, the modest British and French nuclear forces would start to look much more plausible as the foundations of a European deterrent force.

At the same time, however, a reduced US presence in Europe would make it a lot harder for the French to sustain their rhetoric of Gaullist independence. On the other hand, the internal contradictions in the defence relationship between France and West Germany would be intensified by widening differences over nuclear strategy, and even more by the debate over reunification.

To meet these new challenges, Francois Fillon and Philippe Seguin, two young reformers in the French Gaullist party, propose radical revisions of their country's defence posture. They write off the Franco-German relationship in military terms; they call instead for close defence co-operation with the UK, including the joint development of a long-range cruise missile, and they urge the cancellation of the Hades missile, disqualified by its short 500km range.

These may not be the optimum responses to Europe's new security requirements; we cannot yet be sure what those new requirements will be. The important point, however, is that Europe will have new security needs, which will not be satisfied by pretending that Nato should do the work of the OECD, Gatt or the International Chamber of Commerce.

Wörner sees political role for Nato

By Robert Mauthner, Diplomatic Correspondent

MR Manfred Wörner, the Nato Secretary-General, yesterday fully supported US proposals that the Alliance should adopt more of a political role, and said that this would be discussed at the Nato foreign ministers' meeting starting in Brussels today.

"We cannot and will not ignore the fact that the historic changes we see all around us will have an impact on Nato itself. "The alliance must be increasingly an instrument that can shape political change."

Mr Wörner said that the Ministers would also discuss the sensitive issue of the reunification of Germany, which would be mentioned in the final communiqué. The Alliance's objective remained the overcoming of the division of Germany, but Nato did not want to establish any kind of timetable for such a development, which could be overtaken by events.

Both President George Bush and Mr James Baker, the US Secretary of State, have stressed that German reunification should be a gradual process based on Germany's commitment to the Altantic Alliance and in the context of European integration.

Some Nato countries have expressed fears that the rapid pace of change in East Germany and the looming prospect of reunification could destablise Central Europe. The fact that the border between Nato and the Warsaw Pact is the same as that between the two German states makes reunification a particularly explosive issue.

Mr Wörner said that the Ministers would also attempt to put pressure on Greece and Turkey to resolve their disagreement over whether to include the port of Mersin in southern Turkey, the point of embarkation for Turkish troops leaving for Cyprus, in the proposed conventional forces in Europe (CFE) agreement, which is being negotiated in Vienna.

The quarrel has prevented Nato from tabling a draft treaty which proposes the reduction of US and Soviet forces in Europe to 275,000 each and the scrapping of a large amount of offensive arms, such as battle tanks.

President Bush and President Mikhail Gorbachev have expressed the hope that a CFE agreement can be sealed in the autumn of next year.

E Germany might join IMF and World Bank

By David Marsh and Leslie Colitt in East Berlin

EAST GERMANY is examining possible membership of the International Monetary Fund and the World Bank to back its economic reform programme, Mr Klaus-Christian Fischer, state secretary for the economy, said yesterday.

Although he said there were no concrete plans, Mr Fischer said East Germany now had "no taboos" in its economic policy approach after the change in the regime this autumn.

He said talks here today between the East German government and Mr Helmut Haussmann, the West German economics minister, would focus the process of setting a framework for co-operation between the two states, above all in the industrial and communication sectors. Mr Hans Modrow, the East German Prime Minister, and Ms Christa Luft, the deputy Prime Minister in charge of the economy, would participate from the East German side.

He said the participation of Western companies in joint ventures in East Germany would be limited in an initial phase to 49 per cent, in view of East German sensibilities about a "sell out" to the strong West German economy. But he left open whether this could be revised later once East Germany had gathered "experience" in joint ventures.

Mr Fischer said he expected the legal basis for joint ventures, partial privatisation of state companies and investment protection for foreign firms would be in place by the first quarter of 1990.

Along with yesterday's signs of readiness to co-operate industrially with West Germany, East Berlin issued a signal that it is ready to reforge political and economic links between the two halves of the divided city.

Mr Erhard Krack, the mayor of East Berlin, yesterday proposed official contacts between the city parliaments of East and West Berlin.

"We have a historic chance to develop good relations with the other part of the city," Mr Krack said. This move corresponds to a long-held vision by West Berlin, which now is nearing reality after the breaching of the Wall last month.

Mr Fischer tried to dispel the impression only West German companies were interested in joint ventures. He said Japanese companies had expressed interest in joint car projects.

Ostpolitik pays belated dividend for Germany's elder statesman

DURING THE past two months of momentous change in East Germany, Mr Willy Brandt, the 75-year-old former West German Chancellor, has been basking in the glow of a golden political twilight. The Social Democrat architect of West Germany's Ostpolitik in the early 1970s has emerged as a pillar of national consensus along the emotion-charged road to German unity.

Mr Brandt, softened by age and enriched by this autumn's publication of his best-selling memoirs, has attained elder statesman status in both East and West Germany. He is still the honorary chairman of the Social Democratic Party. Because of his policy of building bridges with East Germany, he was the object of bitter attacks during the 1970s from German conservatives.

These days, however, whether speaking in church in the East German Baltic town of Rostock, or appearing at the newly-breached Berlin Wall with Senator Edward Kennedy, Mr Brandt straddles German divisions.

By persuasively putting the case of a "growing together" of the German nation, but rejecting the word "reunification" as representing a throwback to the past, Mr Brandt appeals to both sides in the increasingly polarised unity debate.

In a joint interview this week with the FT, the Süddeutsche Zeitung and Le Monde, Mr Brandt warned the victor powers of the Second World War against thinking that German unity could be put off for ever. He also gave a clear signal to Mrs Margaret Thatcher, the British Prime Minister, that, if the UK is afraid of a weaker German commitment to a united Europe, now is the time to strengthen support for European monetary integration.

Mr Brandt, who has good contacts with the Kremlin, stated that the Soviet Union was responsible for ensuring a peaceful outcome at the most critical stage of pro-reform demonstrations in East Germany two months ago.

Former Chancellor Willy Brandt talks to David Marsh

Referring to the now-celebrated protest march in Leipzig on October 9, when armed East German security forces drew back at the last moment from intervening with civil war-like action, Mr Brandt said the date would go down as "a special day of German-Soviet friendship, because on this day Soviet officers prevented a bloodbath in Leipzig."

He pointed out that, in the top echelons of the East German National People's Army (NVA) sit "several dozen Soviet officers . . . No important NVA operation can pass them by. And if a clever Soviet general said, 'You can do what you want, but our troops and our tanks stay in their barracks,' then this has an effect."

Mr Brandt takes a statesman's view of the widespread allegations in East Germany of misuse of power and corruption under the former Communist leadership.

Although he said the plight of the debilitated Socialist unity Party (SED) "does not give me headaches", he admitted "unease" about the "settling of scores" behind the purge and arrest of former party bosses. He points out the element of hypocrisy: "This is a hunt for scapegoats, carried out by people who were sitting there all the time."

Noting that the grounds for arrest of figures from the regime of Mr Erich Honecker has been limited to economic crimes, Mr Brandt said sardonically: "I have not yet heard of someone being called to account for bringing others into prison, or for preventing them from uttering their opinions or exercising their rights."

Over Chancellor Helmut Kohl's 10-point plan for German unity, Mr Brandt enters into the spirit of bipartisanship. Without going so far as to say he is a friend of the Chancellor (whom he sees from time to time for informal talks), he calls their relationship "relaxed". He says: "I can really have nothing against the 10 points . . . They are mainly self-evident."

He does chide Mr Kohl, however, for not having consulted the Foreign Ministry about the programme. It was also a "great failure" not to have referred to a guarantee for Poland's post-war border with Germany.

The Chancellor, he thinks, also left himself exposed by giving the impression that he would be less decisively committed in future to developing European Community and forging monetary union.

Willy Brandt: appealing to both sides in the debate over unity

"These I call the two open flanks – fully unnecessary, in my opinion."

Mr Brandt says he believes in the goal of a confederation between the two German states. "I do not exclude that this will develop into someting more . . . Historical experience shows that confederations develop into federations, or else they disappear."

He says it would be "not sensible, and also unrealistic to expect the Germans to have to wait for greater national unity until some time after the year 2000 – and probably a good time after that – until a structure (of unity) is developed for all parts of Europe."

Responding to a question about European countries' fears of a united Germany's economic dominance, Mr Brandt offers a particularly sharp lesson to Mrs Thatcher. The consequence must be, he says, "to take really decisive steps to advance economic integration. Whoever is afraid of the D-Mark must make the European currency unit strong."

Pope names deputy in reshuffle

By John Wyles in Rome

POPE JOHN PAUL yesterday named Monsignor Giovanni Batista Re as his new Deputy Secretary of State in a reshuffle which has seen the Australian Bishop Edward Cassidy put in charge of key negotiations with the Russian Orthodox Church over the restoration of full religious rights to Ukrainian Catholics.

Msgr Cassidy's elevation to the presidency of the Vatican's Council for the Promotion of Christian Unity has taken many observers by surprise.

Although it was thought likely that 80-year Cardinal Johannes Willebrands would soon step down from this post, the Australian bishop had only been Deputy Secretary of State (the equivalent to the Vatican's Deputy Prime Minister) since May 1988 and was not regarded as a serious candidate for a move.

However, Vatican officials have stressed with unusual candour that the Pope wanted "a close collaborator" in the Christian unity post "given future developments across the entire ecumenical activity."

This refers to the long-awaited negotiation with the Russian church on the future of the Uniate Catholics of the Ukraine which was brought closer by the recent meeting between the Pope and President Mikhail Gorbachev.

The legal framework for undoing what the Vatican views as one of the grossest injustices perpetrated on any church in communion with Rome should be provided by the law guaranteeing freedom of conscience in the Soviet Union.

Eurocrats' thoughts turn to the battle for top jobs in Brussels

By Tim Dickson in Brussels

IF YOU think Brussels is buzzing with nothing but talk of the internal market and Eastern Europe, think again.

For the next few days, corridor gossip in the Berlaymont headquarters of the European Commission will more than likely be dominated by changes in the line up of top Community civil servants – the so-called Directors-General (or DGs) who sit atop the 23 departments in the EC bureaucracy.

Rumours of a "Big Bang" or a "Night of the Long Knives" have been rife here for several months – but with a number of key individuals due to retire or depart early next year the feeling is that the painful, sometimes bitter and always intensely nationalistic task of changing the guard cannot be long delayed.

The vacancies are in the internal market (DG3) and competition (DG4) directorates, where respectively Mr Fernand Braun and Mr Manuel Caspari are coming to the end of their careers. Another important opening is in Fisheries (DG14) following the decision to send Mr Eammonn Gallagher to head the Commission's repre-

By Tim Dickson in Brussels

sentation at the United Nations, while the premature departure of Mr Emilio Vilar from Indirect Taxation (DG21) provides a fourth empty piece in the jigsaw.

New faces in all these slots are now certain but in the inevitable reshuffle there is no guarantee that other jobs will not be switched as well.

Behind the scenes jockeying is a constant feature of the Brussels firmament but by all accounts next Wednesday's weekly Commission meeting – the last before Christmas – will see most of the big personal and political battles coming to a head.

The influence which national capitals wield over decisions of the Brussels executive has long been a source of controversy and disagreement but in this case it is no secret that the 17 commissioners will act quite openly as the proxies of governments, notwithstanding their own personal likes and dislikes.

Decisions will be complicated by largely unwritten groundrules on the nationality of top Community civil servants.

There are no quotas at Director General level as such but a balance has to be struck

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among A1s – the prized top grade in the Community hierarchy which takes in other important posts like EC ambassadors and the Secretary General. Big member states like France, Britain, Italy, and Germany will all be looking to secure advantage for themselves, or deny advantage to others, while the smaller countries fight just as hard not to be overlooked.

An important tradition is that DGs should not be in charge of a department where the responsible commissioner is a fellow countryman – though there are exceptions to this rule such as Mr Geoffrey Fitchew, Director General of DG15, who reports on financial institutions to Sir Leon Brittan – while another constraint is that some departments such as DG6 (agriculture) and DG4 (competition) have effectively become private fiefdoms of one or other of the member states (in these cases France and Germany respectively).

The most delicately poised battle is over DG3 (internal market), where the two frontrunners are understood to be the current Italian deputy director Mr Riccardo Perissich and Mr John Mogg, under-secretary at the British Department of Trade and Industry who is on secondment to the European Secretariat in the Cabinet Office.

The UK has made no secret of its ambition to capture this highly influential post and Mr Mogg, who was the then Leon Brittan's principal private secretary at the time of the Westland affair, is one of three British candidates. Mr Perissich, however, is equally formidable and respected in Brussels for his contribution to the single market process.

If there is any justice in Brussels the DG4 slot will go to Mr Claus-Dieter Ehlermann, the Commission spokesman who was denied the prestigious post of ambassador to Washington two years ago. As seen from Brussels the appointment of another German to this post would be one way of reassuring a Bonn Government which appears increasingly edgy about the EC merger control directive (which if the French have their way will finally be agreed by the Council of Ministers at the end of next week).

The name most frequently mentioned as a replacement to handle the press is Mr Alex Schaub, who earned a high reputation in the last Commission as chef de cabinet to Mr Willy de Clercq, the former Belgian External Relations Commissioner.

For the rest the speculations are vaguer – but if the concentration of commissioners seems to lapse from time to time over Japanese cars or thrashing the Americans in Gatt you now know why.

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Yeutter urges greater investment in Poland

By Peter Riddell, US Editor, in Washington

AMERICAN investors are "a step behind" European ones in becoming involved in Poland, Mr Clayton Yeutter, the US Agriculture Secretary, conceded yesterday.

He was reporting to Congress on a mission of Cabinet members and business and union leaders which he led to Warsaw two weeks ago.

Mr Yeutter did not believe there was any "irreparable damage" from the US viewpoint so far, since German and French investors were so far mainly just talking.

Senator Joseph Biden, who chairs the Senate's European sub-committee, reflected a more general concern in Washington in saying that European, and especially German, companies had taken the lead.

But Mr Yeutter argued that US companies "*ought* to be getting into the ball game now, not waiting. They need to have a presence there, watching closely."

Anticipating a detailed report on the mission which he will present next week to President George Bush, Mr Yeutter said there were would be no significant flows of capital into Poland until after institutional and structural changes, which would take time.

He stressed the absence, for example, of marketing and distribution networks. An exception offering a quick return was hotel projects of the kind being built by Marriott in Warsaw.

Consequently, Mr Yeutter said a conclusion of the mission was that technical assistance and advice in institution building was needed more in the long-term than financial help.

However, he stressed the need for an improvement in performance in the short-term from the existing structure. Poland, he said, "needs a few success stories."

He added that the mission was very favourably impressed by the economic model being discussed by the new Polish government, which, he claimed, was nearer to the American than the European approach.

OECD worried at Washington aid levels

By George Graham in Paris

THE volume of US development aid has come under criticism from the Organisation for Economic Co-operation and Development (OECD), the Paris-based grouping of leading industrialised nations.

The OECD's Development Assistance Committee has expressed "deep concern" at the outlook for the US aid budget, which is the largest in the OECD area in absolute terms but one of the smallest as a proportion of national income.

The shrinkage of resources available for aid had "serious implications for equitable burden sharing among donors and for the ability of the US to participate effectively in common efforts in areas of critical development concerns," the committee said.

The US's total disbursement of official development aid amounted to \$10.1bn (£6.3bn) in 1988, but this represented only 0.21 per cent of gross national product. Only Ireland devotes a lower proportion to aid; the OECD average is 0.36 per cent, and international organisations have set a target of 0.7 per cent of GDP.

On the other hand, grants from US private charities reached \$2bn, around half of the total for the OECD area and equivalent to 0.05 per cent of GDP.

Chileans begin era of democracy

Leftist looks set to win the presidential sash, reports **Barbara Durr**

TODAY is the beginning of a new democratic era in Chile. In the first free national elections since Gen Augusto Pinochet took power in a coup in September 1973, 7.5m citizens will go the polls. They will elect a president for a four-year term (thereafter presidents will be elected for eight years) and a new bicameral Congress, with deputies serving four years and senators serving eight.

The atmosphere of calm that pervades Chile at this historic moment is in dramatic contrast with the palpable tension during last year's national plebiscite on eight more years of rule by Gen Augusto Pinochet.

Then, the government and the opposition each had apocalyptic visions of what the other would wreak if the general was rejected.

He was. But neither the opposition's vision – military intrigues to undo the march toward democracy – nor that of the government – left-wing riots and political upheavals that would bring economic chaos – has come to pass. Instead, Chile has steered a rock-solid course toward democracy and, in the political calm, has set a new series of economic high marks in 1989.

Gen Pinochet is due to turn over the presidential sash on March 11, and there seems little doubt that its lucky recipient will be Mr Patricio Aylwin, the candidate of the 17-party centre-left opposition coalition.

So sure is Mr Aylwin of his victory that he has designated the time and place of a public celebration and arranged an elaborate international satellite broadcast of a press conference tomorrow.

The most recent major national poll, carried out on December 5-7 by the Center for Studies of Contemporary Reality (CERC), gave Mr Aylwin a resounding 57 per cent of the electorate. Mr Hernan Büchi, the standard-bearer for the main right-wing parties, scored just 25 per cent and Mr Francisco Javier Errazuriz, a right-wing populist and something of a wild card, rose to 16 per cent.

Mr Errazuriz, a man who has played mostly to emotions, has tried to offer himself as an alternative to the traditional political options. His most-repeated slogan was "No more blah blah blah, vote for Fra Fra" – Mr Errazuriz's nickname. Mr Büchi, hobbled by his identification with the military regime and a lack of political skills, appears to have lost votes significantly during his campaign to Mr Errazuriz.

Mr Büchi's main tactic against the front-runner has been to try to sow doubts that Mr Aylwin is in control of the leftist parties in his broad coalition. A CERC survey however revealed that a clear majority of people believe the coalition is ruled mostly by consensus or by the centrist Christian Democratic Party.

Mr Büchi and Mr Errazuriz are still hoping, at least publicly, that there will be a second round in the presidential contest. This would occur if no candidate wins a majority today. But that result is regarded as improbable.

In the closing rallies of the three candidates on December 9-11, the opposition's massive popular appeal was evident. Mr Aylwin drew a crowd estimated to reach nearly 1m people, far surpassing those who gave their final cheers to Mr Büchi and Mr Errazuriz.

Mr Aylwin, a 71-year-old, politically moderate Christian Democrat, has in fact so steadily led in the race to occupy Chile's top job that for months he has had a presidential air. He almost never referred directly to his opponents, speaking instead of the problems ahead and how he will solve them.

Mr Aylwin acknowledges that in the 14 months since the plebiscite on Gen Pinochet's – and the country's – future, the government has given way, allowing the opposition to conduct political activity freely. "We have been advancing [toward democracy] and to tell the truth, each has done his part," he says.

Mr Carlos Caceres, the interior minister and the regime's chief soft-liner, has deftly reached crucial accords with the opposition – which Gen Pinochet has been forced to accept. These include amendments to the 1980 constitution, which the general had sworn was untouchable, and the naming – just nine days before the election – of a board for the newly autonomous central bank that included two representatives of the opposition.

Gen Pinochet, once the gruff, stern-faced authoritarian, is now a much weakened figure. Under the current constitution he can remain for another eight years as commander-in-chief of the army, Chile's most powerful armed service, or opt to be senator for life. But more than this, he now seems to yearn for historical justification.

Frequently dressed in business suits rather than uniform, these days, he wants to be known as the man who brought Chile back to democracy. He said last week: "The whole country has been able to inform itself about the [political] alternatives, which constitutes one more proof of the unlimited democratic will of the government."

If elected, Mr Aylwin says, he will attempt to persuade Gen Pinochet to step down as army commander. In any case, Mr Aylwin confidently notes, while he cannot remove the general because of the constitution, a new president will be chief of all the armed forces and thus be Gen Pinochet's superior.

The opposition is hoping to win two thirds of the seats in both houses, so it can further change the 1980 constitution. Among the provisions on the chopping block is Gen Pinochet's army tenure until 1997.

Even with today's election, many still feel that Chile's transition back to democracy will not really be complete until Gen Pinochet is out of the political picture for good.

Shortage of sugar alcohol in Brazil

By Ivo Dawnay in Rio de Janeiro

MOST filling stations in Rio de Janeiro have now run out of supplies of sugar-based alcohol fuels, which may leave hundreds of thousands of motorists stranded.

The fuel supply crisis, long predicted by economists, is expected to continue until April, when a new sugar-cane harvest will help meet demand.

Some 4.5m of Brazil's 12.5m cars are powered solely by alcohol, which was first introduced as an additive to petrol in the late 1970s and was later used to reduce dependence on oil imports and save precious foreign exchange.

Output of alcohol is now 1.5bn litres below estimated demand with scarcity expected to rise sharply in the coming two months because of a fall-off in sugar production.

Emergency measures are now under way to secure supply but efforts to import methanol as a substitute fuel have been held up by court actions put forward by environmentalists alleging that the fuel is dangerous to users and suppliers.

US November retail sales up 0.8 per cent

By Anthony Harris in Washington

US RETAIL SALES rose by 0.8 per cent to \$144.6bn (£90bn) in November, according to preliminary figures from the Department of Commerce.

Car sales rose only 0.5 per cent from their October slump, but clothing sales rose 2.4 per cent. The increase was well ahead of a 0.2 per cent consensus forecast in the financing markets, but half the difference was due to a downward revision in the October figure, and the market showed no reaction to the news.

Total retail sales have now recovered almost exactly to their value in July.

The White House greeted the new figure as evidence of continued economic growth. It is already known that the administration's 1990 budget proposal, due out in January, will be based on an assumption of a 2.8 per cent real growth rate.

The car market appears to be weakening further. Ford announced yesterday that its early December car sales totalled 31,184, down 30 per cent at a daily rate from the same period in 1988.

The company predicted that US car and truck sales will fall to 14.9m in 1989 from 15.8m in 1988, and will ease further to 14.5m vehicles in 1990.

The US registered a \$22.69bn deficit in its balance of payments on the current account in the third quarter, compared with a revised deficit of \$32.08bn in the second, the Department of Commerce said.

The current account measures the balance of trade in goods and services, including banking, financial transactions and tourism.

Most of the improvement was explained by a \$7.6bn increase in the dollar value of earnings from foreign subsidiaries of US companies since the exchange rate weakened in the third quarter.

The capital account showed a net inflow of \$72.48bn in the third quarter, compared with a \$1.79bn outflow in the second. Official foreign assets rose by \$11.25bn, reflecting intervention to support the dollar, compared with a fall of \$5.2bn in the second quarter.

Holdings by private investors increased by \$61.24bn in the third quarter compared with a rise of \$3.41bn the previous quarter. The third quarter gap was the best trade performance since the first quarter of 1984, when the gap amounted to \$20.90bn.

IMF to begin talks with Peru

A TEAM from the International Monetary Fund is expected to visit Peru next month to start talks on the development of an economic programme, following a \$42.3m interest payment by the country to the Fund, Stephen Fidler, Euromarkets Correspondent, writes.

The payment, regarded as a token of the government's desire to achieve a rapprochement with the Fund, covers interest from September to the year end. Arrears to multilateral organisations total about \$1.6bn, of which about \$800m is owed to the IMF.

Semiconductor chip development move

By Louise Kehoe in San Francisco

SEMATECH, the US semiconductor industry research consortium, is refocusing its efforts to emphasise support of domestic US suppliers of production equipment and materials.

In its latest move, the consortium has awarded a joint development contract to Silicon Valley Group, a leading US semiconductor production equipment maker, to accelerate the development of equipment for use in making the next generation of computer chips.

"This is a significant contract in the advancement of semiconductor manufacturing technology," said Senator Pete Wilson. "By teaming with US semiconductor equipment and materials suppliers in development projects, Sematech is leveraging the dollars it spends to gain maximum return on investment for American taxpayers."

Under the agreement, Sematech will provide funding, personnel, laboratory equipment, training and other resources to the joint project.

The contract is the latest in a series of joint development efforts undertaken by Sematech involving US semiconductor production equipment makers. The consortium expects to spend \$89m of its \$200m (£124m) 1989 budget on such efforts, said Dr Robert Noyce, Sematech president, and the figure will rise next year.

"Since 1987, 62 US semiconductor production equipment suppliers have disappeared through mergers, acquisitions, foreign acquisitions and going out of business. It is critical that we reverse this trend if the US is not to become totally dependent upon foreign suppliers for critical technologies."

"One of the major changes that Sematech can effect is to create closer relationships between US semiconductor manufacturers and their suppliers," said Dr. Noyce. "We must work hand in glove, rather than at arms length."

The Sematech announcement comes on the heels of the rejection by the Bush administration of proposals to increase federal funding for Sematech. The consortium receives its funding from the Defence Department Advanced Research Projects Agency and from its 14 member companies.

WORLD TRADE NEWS

S Korean orders 'vindicate UK grant for Davy'

By Peter Montagnon, World Trade Editor

DAVY, the UK heavy engineering group, has won two further orders worth £70m from South Korea's Pohang Iron and Steel Company (Posco), bringing business won from this client since 1983 to £230m.

The company said the new orders were further vindication of the £8.64m aid and trade provision (ATP) grant it was awarded in 1983 to back up its first bid to provide a blast furnace for Posco's Kwangyang steel mill development.

Though regarded as controversial by some Whitehall departments, the ATP funds helped Davy to dominate strong competition it was then facing from Japan. It also enabled it to establish a record in South Korea which now puts it in a strong position to win prospective blast furnace orders coming up in West Germany, Australia and Taiwan, executives say.

A study of the benefits to the UK of the business won by Davy from South Korea, published by the company to coincide with the signing of the new order, says the original ATP grant has helped to generate an extra £276m in economic output and 4,210.6 man years of employment.

The exchequer has gained £34.68m in extra tax revenues and saved £1.61m in unemployment benefit, says the study, which take account of the knock-on effect of the business on Davy's suppliers but was compiled before the latest contracts were signed.

None of these benefits would have accrued if Davy had not won the first contract, the study says. "There is a clear link between the ATP funding for Kwangyang One and the winning of later contracts. ATP provided Davy with an opening in Korea."

The two orders signed yesterday are a £40m blast furnace for Kwangyang with a daily capacity of 9,000 tonnes of basic steelmaking iron and a £30m wire rod mill modernisation in Pohang.

Mr T J Park, chairman of Posco, said they were the last Davy could expect to receive for the time being as the company's modernisation and expansion plans were complete.

Demand for steel in South Korea was still strong, but the country would import cheaper steels if necessary and Posco intended to concentrate on high quality steel.

Mr Park added that Korea's policy of not adding to its foreign debt and the company's large liquid resources meant the company would be paying cash for the new orders.

However, Davy officials said that an underlying export credit had been arranged with the backing of the Export Credits Guarantee Department to cover the contracts.

This had been structured in such a way as to allow the benefit of subsidised export credit interest rates to be factored into the cash price paid by Posco.

Davy Corporation, which had recently established its own export finance unit, had passed the deal through a specially-created company in Hong Kong, they said, but declined to give further details.

EC finalises its Uruguay Round stance

By Tim Dickson in Brussels

HOWEVER much the European Community scoffs at US proposals to scrap all farm subsidies over the next 10 years, no one in Brussels denies the public relations triumph of that simple, eye-catching appeal.

This week's riposte by the EC in its detailed position paper for the final stages of the international trade negotiations known as the Uruguay Round – described by Mr Henri Nallet, the French Farm Minister, as putting Europe back "on the offensive" – has been something less than a public relations coup.

The contents of the long-awaited package were presented to EC farm ministers in Brussels on Tuesday but despite expectations to the contrary the details will not be publicly available until foreign ministers have had their say next week.

Widespread leaks have ensured that there are few secrets left in the locker but if, as Brussels officials have been insisting, the EC now has its own positive message to relay it is going about things in a surprisingly secretive way.

The significance of the paper – which contains many familiar ideas and is disappointingly short on numbers, but which appears to move some way towards US and other criticisms of the EC's tough farm import barriers – is that it is the EC's detailed negotiating position for the crucial final round of the Uruguay Round talks. Privately, EC officials will admit that it spells important changes to the EC Common Agricultural Policy after 1990, but they not so privately emphasise there are some principles which are not going to be given away.

Nallet: EC offensive

The EC, for example, remains wedded to the "gradual" reduction of farm supports as agreed in the Mid-Term Review of the negotiations – rejecting out of hand any idea of long-term elimination in favour of a more "realistic," though unspecified five-year programme of gradual reductions; it sticks to its view that agriculture is a specific sector with its own problems (a point which is seen as having been reflected by President George Bush in a speech in Iowa this week when he said "the utopian playing field" where subsidies are removed is a long way off); and it insists on a "global" approach whereby all trade-distorting subsidies from export refunds to deficiency payments and price guarantees would be reflected in one common measure of support (the so-called Support Measurement Unit, which all parties would then agreed to reduce by a given amount).

The US side, by contrast, has been looking for commitments on individual support measures, notably the EC's export subsidies and the variable import levies designed to protect EC farmers against cheaper products from the world market.

The key novelty in the EC paper, however, lies in the trade-off it establishes between "tariffication" and "re-balancing". Tariffication is the process demanded by the US and nations such as Australia, New Zealand and Canada, bound together in the Cairns Group, which turns variable levies like the EC's import levies into fixed tariffs as a prelude to their dismantling.

Brussels' paper proposes what is described as "partial" tariffication, though it is emphasised that such a system would also be applied to deficiency payments of the kind used to bridge the gap between US market prices and the target price paid to US farmers.

Only one element of the tariff, however, would be fixed – the part reflecting the difference between domestic and market prices. The EC would continue to apply a flexible element which would take into account such factors as currency fluctuations and serious market disturbances.

The quid pro quo for this, however, is that the EC would want its partners to accept rebalancing; that subsidies for one product can actually be increased provided the trend is downwards. This principle is fiercely contested by Washington.

Morocco to limit state intervention in trading

By William Dullforce in Geneva

MOROCCO plans to publish a new foreign trade code next year, limiting the scope for state intervention, simplifying regulations and confirming its commitment to a liberal trading system.

The Moroccan Government signalled its intention yesterday to the General Agreement on Tariffs and Trade, when the Gatt council discussed the second secretariat report submitted to it under the new Trade Policy Review Mechanism.

Morocco renewed its commitment to liberalisation as its trade deficit worsened and while debt servicing remains a constraint on its development. Projections indicate a surge of 13 to 14 per cent in imports this year against a stagnation or some decline in exports.

Trade reform started after a balance-of-payments crisis in 1983 when Morocco embarked on structural adjustment financed by the World Bank. Morocco joined Gatt in 1987. Since 1983 maximum tariffs on imports have been reduced from 400 to 45 per cent and the Government has been abandoning import licensing and volume restrictions.

However, the Gatt secretariat points out, tariff changes are still frequent. Tariffs are a source of revenue as well as the main form of protection for domestic industry. A special 5 per cent import tax and a 10 per cent stamp duty were replaced last year by a 12.5 per cent fiscal levy.

Nearly 90 per cent of imports now enter without licensing and it is mainly consumer products which still figure on the list of goods subject to licensing. Morocco has notified Gatt that retention of goods on this list is temporary.

Government officials told the secretariat that full exemption from import authorisation for agricultural products was planned for the early 1990s. There is no definitive timetable for removing licensing requirements on industrial products.

Liberalisation of price controls across a wide range of products and the elimination of guaranteed prices for some farm crops had reinforced the market orientation of Moroccan trade policy, the secretariat reported.

Morocco has succeeded in diversifying both its suppliers andits export markets, the secretariat noted.

● The US, European Community and other big trading nations have again put off until next spring consideration of China's membership of Gatt.

Shen Jueren, Chinese Vice-Minister for Foreign Trade, ran into a fusillade of questions, calling into doubt the direction of China's economic policy at the first meeting this week of the Gatt working party dealing with China's application since the massacre in Tiananmen Square in June.

US celebrates its steel pact 'triumph'

By Nancy Dunne in Washington

IT WAS, said Mr Linn Williams, deputy US Trade Representative, a "daring enterprise" the Bush Administration undertook when it announced its intention to use the US steel market as leverage to get governments out of their domestic steel industries.

Triumphant in his announcement that the largest producers had signed bilateral pacts agreeing to phase out domestic steel subsidies and to work for multilateral liberalisation, Mr Williams hailed the end of "the cycles of government intervention followed by restrictions in this country or others."

The EC, Japan, South Korea, Brazil, Mexico – the largest importers into the US market – as well as Australia and Trinidad and Tobago all signed "bilateral consensus agreements", receiving a slightly bigger quota share of the US market for their pains.

Out of the total 19.1 per cent of the market reserved for Voluntary Restraint Arrangement (VRA) countries, 6 per cent remains to be distributed as bait if Austria, Finland and Yugoslavia join the effort to liberalise world steel trade.

The US steel industry, which sought a renewal of VRAs for five years but got 2½ years instead, has been cautiously welcoming the achievement.

"We are very pleased that the Government was able to achieve some additional discipline without in any way compromising domestic US trade law," said Mr George Vary, a spokesman for Armco Steel. But the doubts followed. Can the momentum carry over into the Uruguay Round, where the administration hopes to "multilaterise" the agreements in either the subsidies group or the tariff and non-tariff barriers group?

What about dumping, which is addressed "in a very back-door way by trying to regulate non-tariff barriers"? Dumping was difficult to negotiate away, he acknowledged; anyway it was not a government-to-government issue.

Until the details of the bilateral "consensus agreements" are released, the extent of the administration victory will not be known.

Although export subsidies are to be immediately discontinued, some of the pacts permit a "phasing out" of domestic subsidies as well as retention of others.

"If there is a subsidy programme that was already in place, we did not endeavour in this agreement to roll that back," Mr Williams said. "In some agreements there are trigger points, there are events that are to take place within the domestic legal system that are specified in the agreement."

In the EC pact an exception has been made for subsidies promised to Finsider, now Ilva, steel company in Italy. Other exceptions have been granted for continued government support for environmental expenditures, research and development, worker retraining and business closure.

This leaves wide areas for potential disagreement. But each bilateral pact has a dispute settlement mechanism, which provides for an arbitration panel to make a decision in 30 to 60 days. These all differ slightly.

In the Korean pact, one party can take unilateral action to be followed by a fast-track 30-day appeal process. In other agreements, arbitration would come first.

EC to phase out voluntary import quotas

THE European Community has agreed to phase out by March 1992 its voluntary steel import quotas with all third countries, as part of its general agreement on the trade with the US, writes Lucy Kellaway.

However, Commission officials said yesterday that some quotas were likely to be lifted sooner, with restraints removed altogether on certain countries and some categories of steel products next year.

The Commission will decide next month on a timetable for dismantling the import restrictions.

The effect on the steel market is likely to be minimal as imports account for only 10 per cent of European steel demand, and only a fifth of this is from countries covered by steel quotas. These include Poland, Hungary, Bulgaria, Czechoslovakia, Romania, Brazil, Venezuela and South Korea.

POLITICAL CHANGES OPEN OPPORTUNITIES FOR PULP AND PAPER MAKERS

Eastern European market beckons

By Maggie Urry

THE opportunities for pulp and paper makers being opened by the political changes in in Eastern Europe and the Soviet Union were raised yesterday at the final session of the two-day Financial Times World Pulp and Paper Conference in London. The conference was chaired by Mr David Clark, director of the European Paper Institute.

Mr Torbjörn Nilsson, head of MoDo Paper, part of the MoDo Swedish pulp and paper group, said the 150m people in Eastern Europe and 283m in the Soviet Union had been starved of consumer goods. Those countries used on average much less paper than in Western Europe. In East Germany per capita consumption was 83.7kg a year and in the Soviet Union 37.5kg a year compared with an average of nearly 150kg in the European Community.

FT CONFERENCE
WORLD PULP AND PAPER

He said that companies' "essential prerequisite to allow a positive response to Eastern Europe's invitation to help in the 1990s is to have already created a meaningful long-term strategy in the 1980s".

He said MoDo had broadened its base and become a global player, so eradicating its exposure to cyclical peaks and troughs.

Other speakers discussed strategies for pulp and paper makers in the 1990s. Mr Ian Kennedy, managing director of Wiggins Teape, described a niche strategy, but warned: "A niche has often been spoiled by a thoughtless intruder who believes that he can establish the niche for himself simply by using price as a mechanism for market access."

Mr Francesco Sottrici, chief executive officer of Cartiere Sottrici Binda, an Italian paper company, spoke about the market for specialty papers. He said these could enable a producer to build a partnership with its customers, and build up brand loyalty.

A view of niche marketing of high-quality coated papers came from Mr Ulrich Scheufelen, chairman of Papierfabrik Scheufelen, a family-owned West German paper group. He suggested that "price is often not the major factor" for differentiated products, unlike commodity grades of paper.

Rather, quality, service, flexibility and image were often more important competitive factors. "In principle," he said, "all high-quality products require the same way of marketing, whether it is perfume, a car like Jaguar or Mercedes or art paper."

From Norway, Mr Arnfinn Hofstad, president and chief executive officer of Norske Skogindustrier, reviewed the outlook for the Norwegian paper producer. His company had been formed by the merger during 1989 of four groups and now accounted for over 70 per cent of Norwegian paper and board capacity.

Norway is not a member of the EC but, Mr Hofstad said, "for our industry access to the UK and continental markets is absolutely vital". In the longer term Norske Skog "needs to establish production facilities abroad". It is planning to build a mill in France.

The country has the advantages of the Norway spruce tree and plentiful energy.

The issue of the environment was frequently raised. Mr Peter Williams, chief executive of Reedpack, the group bought out from Reed International by its management, discussed the use of recycled fibre in packaging and newsprint.

He pointed out that recent legislation in the US had required that waste paper be collected in an attempt to reduce the country's waste problem. However, he said, the system had started to generate large volumes of waste paper and supply of waste paper was outstripping demand, forcing prices down. There were even reports of negative wharfside prices for waste news.

As a result waste paper was being shipped to Europe, cutting prices for waste paper there, and forcing more waste paper to be landfilled, with "the net effect that North America's solid waste disposal problem is being exported".

Mr Jaakko Pöyry, chairman of Jaakko Pöyry, the consulting group, discussed how technology could be used to help the environment. He said: "Re-establishing the image of pulp and paper as environmentally acceptable products is a necessity."

Mr Einar Boehmer, head of the Norwegian Pulp and Paper Research Institute, discussed other technological developments in pulp and paper making.

A view of the Spanish paper industry was given by Mr Jorge Nuñez, who is chairman of Torraspapel.

BAe wins $340m orders for regional airliners

By Paul Betts, Aerospace Correspondent

BRITISH AEROSPACE has won orders worth more than $340m for its four-engine 146 regional jetliner and its twin-engine Advanced Turboprop (ATP) regional airliner. The orders confirm the growing market for regional aircraft and represent a boost for BAe's commercial airline division.

The latest orders for the BAe 146 were placed by Crossair, the Swiss airline company 38 per cent owned by Swissair. Crossair has placed firm orders for four BAe 146-200 aircraft and has taken options for an additional eight 146s. The total value of the Crossair deal is put at around $300m.

BAe said yesterday it had won an order worth more than $40m from Biman, the Bangladesh flag carrier, for three ATP turboprop regional airliners. BAe said this was a breakthrough for its 70-seat ATP aircraft in Asia and the UK's largest commercial transaction with Bangladesh.

THE DAVID WATT MEMORIAL PRIZE

Following his tragic and untimely death in March 1987, The David Watt Memorial Prize was introduced in 1988 to commemorate his life and work.

Organised, funded and administered by RTZ, the Memorial Prize is a tribute to a man widely regarded as one of the UK's outstanding writers, thinkers and political commentators.

Those eligible for the annual prize of £2,000 are writers actively engaged in writing for newspapers and journals, in the English language, on international and political matters. Their writings, in the opinion of an adjudicating panel, will have made outstanding contributions towards the clarification of international and political issues and the promotion of greater understanding of such issues.

The closing date for entries and nominations is 19th March 1990. Full details and Entry Forms are available from The Administrator, The David Watt Memorial Prize, RTZ Limited, 6 St James's Square, London SW1Y 4LD.


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India to tighten restrictions on selected imports

By David Housego in New Delhi

INDIA is to introduce further "selective" import curbs in an effort to slow down the fall in its foreign exchange reserves, Mr Madhu Dandavate, the new Minister of Finance, confirmed yesterday.

Speaking at his first press conference since taking office last week, the minister gave the impression that he would go beyond the postponement of large capital projects and the restrictions on imports of electronic components carried through by the previous Congress administration.

It is expected that tariff increases and new quantitative restrictions are likely to be announced soon – though among officials there are doubts on whether substantial savings can be made in the import bill.

While Mr Dandavate's remarks suggested some retreat from liberalisation, he was keen to put across that his approach to handling the economy would be "pragmatic and realist". He said he would bring in an interim budget early in the year while postponing a full budget for a few months to allow the government more time to study the available options.

He spoke a day after the Bombay Stock Exchange index climbed past its previous June 1989 peak in a surge of equity values that in part reflects growing confidence in the new administration.

In his remarks, the minister left open the possibility of India seeking a fresh IMF loan while insisting that the government would not accept conditions that ran counter to its basic economic and financial policies. Bankers believe that India will need to raise about $2bn-$3bn.

Mr Dandavate gave little encouragement to foreign multinationals saying that India would seek foreign equity capital only "where absolutely necessary and essential" – such as export industries or high technology sectors.

He also held out little hope that it would give an early go-ahead to proposals being studied by Prime Minister Rajiv Gandhi's administration for raising the normal ceiling on foreign companies' equity holding in a joint venture in India from 40 to 51 per cent.

He confirmed that the government will bring in measures to provide debt relief for farmers – but said that the cut off point was still being studied and that the move would not damage the balance sheet of commercial banks.

The minister yesterday came under further pressure to make a rapid announcement on this front when two Congress-run state governments – Madhya Pradesh and Himachal Pradesh – announced that they would bring in debt-write off schemes more generous than that originally proposed by the National Front administration.

The kidnapped daughter of Mufti Mohammad Sayeed, the Indian Interior Minister, was released yesterday in exchange for five Kashmiri militants, Reuter reports from Srinigar. The five militants were set free in the old city of Srinagar, as the secessionist Jammu and Kashmir Liberation Front had demanded, in exchange for Rubia Sayeed, 23.

Mandela transformed from martyr to politician

By Patti Waldmeir in Johannesburg

NO ONE dares speak ill of a martyr – at least not in public. So for the past 27 years of his imprisonment, apartheid's chief martyr, Mr Nelson Mandela, has been largely exempted from criticism.

But in recent months – as Mr Mandela has been allowed to meet a wide range of South African leaders, both black and white – the process of transforming him from hero to politician has finally begun. And as his political role has grown, so have the fears of black radicals that the 71-year-old Mr Mandela may compromise their struggle.

Black suspicions focus on the ANC leader's numerous meetings with government ministers, and with two South African presidents: Mr P.W. Botha, who shocked the country by entertaining Mr Mandela to tea last July, shortly before resigning as State President; and yesterday, Mr F.W. de Klerk, the serving President.

Black radicals have complained privately that negotiations over the country's future were being conducted in these meetings. They have questioned Mr Mandela's right to negotiate without a mandate from his constituency – union leader, Mr Cyril Ramaphosa, a prominent figure in the anti-apartheid movement, stressed recently that Mr Mandela was "a member of the ANC. . . [like] any other member of the ANC." Radicals obviously fear that the elderly ANC leader might give too much away.

Until yesterday, Mr Mandela steadfastly denied that negotiations had taken place. But the government statement announcing yesterday's talks – which Pretoria says was approved by Mr Mandela – indicates that the meeting explored "ways and means to address current obstacles in the way of meaningful dialogue".

In other words, Mssrs Mandela and de Klerk held "talks about talks" – the sort of pre-negotiations which will be essential before the Government and the ANC, not to mention other black groupings, can sit down to substantive talks. Indeed, yesterday's talks appear to have gone much further than those held between Mr Mandela and Mr Botha last July, after which it was emphasised that no policy issues had been discussed and no negotiations undertaken.

With "follow up talks" planned for the New Year, according to yesterday's statement, the process of rapprochement between the two sides could begin to speed up. But a faster pace will certainly not please some sectors of the activist community.

Last weekend's anti-apartheid conference in Johannesburg – the largest ever held in South Africa – was called primarily to agree a joint approach to the question of talks. But two major black political groups did not attend – the Zulu political movement Inkatha, headed by Chief Mangosuthu Buthelezi, and the radical Pan Africanist Movement - and a third group which did attend, the Black Consciousness Movement, later dissociated itself from a conference declaration on negotiation.

So a unified black position on negotiations appears to be as distant as ever. In the meantime, Mr Mandela is understood to have drawn up his own document on negotiations - separate from that written by the ANC and endorsed by the Organisation of African Unity and the non-aligned movement. The existence of such a document is a further irritant to black radicals, who fear that Mr Mandela may compromise on issues such as protections for white minority rights.

All along, Mr Mandela seems to have taken the lead in pushing anti-apartheid activists to consider talking to Pretoria. A year ago, they regarded the notion with horror; now the question of when and how to negotiate is at the top of the black political agenda.

Though he does not have a mandate from the black constituency, Pretoria has allowed Mr Mandela to consult activist leaders regularly – including a three-hour meeting on Tuesday with Mr Walter Sisulu. But for the moment, he appears to be setting his own agenda: exactly what is on that agenda remains a secret.

Vietnamese protest against forced repatriation yesterday in their camp in Heilingchau island

Boat people in protest marches

By John Elliott in Hong Kong

MORE than 6,000 Vietnamese boat people yesterday staged angry demonstrations in three detention centres against Hong Kong's mandatory repatriation policy which started two days ago with the expulsion of 51 men, women and children by plane to Hanoi.

The Hong Kong's Government is now drawing up a programme for a series of airlifts which it will submit to the Vietnamese Government in Hanoi for approval. At the same time it is beginning to select the people who have failed to qualify as refugees and who will be sent back.

Yesterday's demonstrations were the first to be staged since the 51 left Hong Kong in the early hours of Tuesday morning. They were relatively peaceful but there is a risk that they could escalate into violent.

About 6,000 people marched around high security camps at Whitehead in Kowloon and at Hei Ling Chao island for up to three hours shouting slogans and carrying placards proclaiming: "We would rather die than be sent home". A further 300 demonstrated at Chi Ma Wan camp, which houses more than 2,000 people who have failed to qualify as genuine refugees in screening tests. Despite international protests, the Hong Kong Government is adamant that it will not change its policy of sending home some 40,000 boat people who are not expected to qualify in the screening tests.

"It is our intention to put into place a continuing programme to return to Vietnam all those who are judged not to be refugees," Sir David Ford, Hong Kong's Chief Secretary, said yesterday at a meeting of the colony's legislative council.

The mandatory repatriation is covered in an agreement reached between the UK and Vietnam some months ago. A subsidiary accord was reached specifically for Tuesday's first flight because Vietnam was not prepared to bind itself to more until the first one was completed.

Now Hong Kong wants to start a programme and its next submission to Hanoi will therefore cover a series of airlifts. These will not take place until after Christmas because of the degree of organisation involved.

Saudi pride acts as small print in BAe's arms deal

By Victor Mallet and David White

IN MANY ways the Saudi-British Al-Yamamah arms deal, reinforced in the past few days by a Saudi cash injection of nearly £2bn and by expectations that more oil will be set aside for future payments, is typically Middle Eastern.

It was seized by Britain from the teeth of the French; it depends on oil revenues; both parties are secretive about the details; and the contractual obligations in the agreement are nebulous rather than legalistic. Honour and shame are as important in the Gulf as small print is in Europe.

But in one important respect – size – Al-Yamamah is exceptional. The two-stage agreement involves the delivery of 120 Tornado combat jets, as well as more than 200 other aircraft and helicopters, minehunters, weapons, training and facilities, including a full-scale air base. Its value is estimated at more than £15bn. The potential profits and risks for British Aerospace, the main contractor, and its sub-contractors are particularly large.

Until recently, therefore, BAe was approaching the end of its financial year on December 31 with some trepidation. The company knew that it was carrying a very substantial cash shortfall on the Saudi deal, because the value of the Saudi oil liftings allocated to the agreement was not sufficient to match the value of BAe deliveries.

The situation was particularly embarrassing because the City had been assured after BAe's interim results that the deficit would not be a problem by the end of the year.

From the beginning BAe was aware that it faced risks both on the price of the oil used to pay for the deal, and on the exchange rates of the dollar (the unit used for oil pricing) against Sterling and other currencies. But it had confidence in the firm support of the British Government and in its relationship with the Saudis.

Previous snags since the inception of the deal in 1985 had been ironed out in meetings between the two governments (it was they who signed the agreement) and BAe. If there is a deficit or a surplus on payments, the contract apparently stipulates only that the two sides should sit down and discuss the issue.

Perhaps the £2bn loan Britain was arranging was simply too large and too public for the Saudis to stomach

The Saudis had already increased the oil liftings for Al-Yamamah progressively from 200,000 barrels a day at the start - when oil prices were in the region of $25 a barrel - to about 400,000 b/d today. They had also made a couple of cash payments, including one backed by a discreet credit facility arranged by Saudi International Bank.

Delivery schedules and the vagaries of oil prices, however, meant that this year's deficit was very large. To cover the gap before the year-end, Britain pushed for a £2bn bank loan backed to the tune of £1.25bn by the Export Credits Guarantee Department, although the Treasury had reservations about the arrangement.

Apparently embarrassed by revelations about the proposed loan because of Islamic strictures on the use of bank interest and because of the suggestion that it did not have enough money, Saudi Arabia decided to pay in cash. Even if the source of the finance remains a mystery – there is speculation that the Government called on wealthy private sector businessmen to contribute – there could be no mistake about Saudi Arabia's sense of injured pride.

"Contacts between the governments of Saudi Arabia and Britain ended with Saudi Arabia paying its full commitment to these projects without the need for borrowing," a Saudi official statement said yesterday. "The Kingdom of Saudi Arabia . . . wants to reiterate its capability to cover on time all payments of all projects it signed with the British and other governments."

Saudi Arabia is already quietly paying and earning interest on this and other transactions in any case; BAe charges for any shortfalls on scheduled payments, and interest is earned on any surplus in the Saudi Ministry of Defence account in London from which the UK Ministry of Defence draws money to pay BAe. (The MoD also takes a small percentage to cover its own management costs). Perhaps the £2bn loan was simply too large and too public to stomach.

Saudi Arabia's cash payment is expected to be reinforced with a 25 per cent increase in oil liftings to 500,000 b/d, although the additional 100,000 b/d may be sold through different channels from the rest. Royal Dutch/Shell and British Petroleum are responsible for the current average liftings of around 400,000 b/d.

In the meantime, the abortive £2bn loan arrangement will be put on ice, and can be adjusted and revived if the need arises.

High growth rate forecast in Japan

By Ian Rodger in Tokyo

JAPAN'S economy is likely to achieve a fourth year of strong growth in 1990-91, propelled by corporate capital spending and personal consumption, according to most leading private economic research institutes.

Nomura Research Institute (NRI), Tokai Bank, Daiwa Institute of Research and Fuji Research Institute are all forecasting a 4.5 per cent real gross national product (GNP) growth in the fiscal year to March, 1991, compared with an expected 5 per cent rise in the current fiscal year and 5.3 per cent last year.

Even the most pessimistic among the institutes, Sanwa Research Institute, is expecting a brisk 3.8 per cent rise in GNP on the strength of a 7.7 per cent boost in corporate capital spending and a 4.1 per cent rise in personal consumption. Corporate investment, which has been rising rapidly for three years, is expected to continue to rise as companies try to offset labour shortages with investments in automation.

Personal consumption growth slowed this year because of the introduction of a 3 per cent consumption tax but may revive next year as consumers get used to it.

Although these domestic factors are likely to remain the driving forces behind economic growth, the forecasters are not expecting any decline in Japan's bloated trade surplus next year. Many believe it will rise from the estimated $77bn (£48bn) in the current fiscal year, as the effects of the yen's recent weakening on import prices unwind and domestic demand softens later in the year. Sumitomo Bank, for example, is forecasting a surplus of $90.7bn and Mitsubishi Trust and Banking expects a surplus of $91.9bn.

Forecasts on the current account surplus vary more widely, because of the difficulty of predicting invisible flows. Fuji Research Institute believes it could tumble to $43bn from an expected $58bn this fiscal year.

Most forecasters were wrong-footed this year on the trend of the yen-dollar rate, and are cautious about predicting much strengthening next year, despite the lack of progress in reducing the US-Japan trade imbalance. Sumitomo Bank is the most aggressive, expecting that the dollar will fall to Y130 by the end of the year, but Mitsubishi Research Institute is predicting virtually no movement from the current Y143 level.

Despite the very high operating rate of the economy and an extremely tight labour market, economists expect prices to become more stable next year. The consumer price index this fiscal year may rise by 2.9 per cent, according to NRI, mainly because of the introduction of the consumption tax, but next year it could ease up only 1.8 per cent.

Meanwhile, the Bank of Japan's quarterly survey of companies' views on the economic outlook has indicated a slight decline in confidence from the record level of the previous survey.

US increases food relief assistance for Ethiopia

By Michael Holman, Africa Editor

THE US, warning that Ethiopia faces a food shortage which may rival the famine of 1984-85, is giving a further 111,000 tonnes of assistance. It brings total US food commitments so far to 165,000 tonnes.

Mr Mark Edelman, acting administrator of the Agency for International Development, said on Tuesday that the combination of drought and civil war put "about 5m people at risk of starvation." Around 750,000 tonnes of food is needed, he added. This is substantially higher than other recent estimates, which have put the figure at some 600,000 tonnes.

Hopes that the Ethiopian government had agreed to open safe passage corridors in the country's war zones, allowing easier access to the drought-stricken north, received a setback yesterday.

Earlier this week President Daniel arap Moi of Kenya said that the Ethiopian leader, Mengistu Haile Mariam, had agreed to establish relief aid corridors. However, a Kenyan foreign ministry announcement said yesterday that the proposal was still being considered.

Donors have stressed that without such corridors it may be impossible to get sufficient supplies to affected areas.

E Timor oil deal upsets Lisbon

By Patrick Blum in Lisbon

THE Portuguese Government has recalled its ambassador to Canberra in protest at the signing on Monday of an agreement between Australia and Indonesia allowing Australia to prospect for oil in the Timor Gap which separates Portugal's former colony in East Timor and northern Australia.

Indonesian troops marched into East Timor in December 1975 – at the height of the Portuguese revolution – and later annexed the territory. The annexation has not been recognised internationally, and at Portugal's prompting, Indonesia's action has been condemned by the United Nations and, more recently, by the European Community.

The UN still recognises Portugal as the legitimate authority in East Timor, and following Namibia's independence, East Timor is the last remaining region to be classified by the UN as a non-autonomous territory. The UN has been mediating for several years between Lisbon and Jakarta in an effort to find an acceptable solution.

The agreement allowing Australia to prospect offshore for oil and gas over 40 years in the 23,550 square miles Timor Gap has drawn howls of protests in Portugal, where it is seen as undermining moves to find a diplomatic solution.

The Portuguese ambassador to Canberra has been recalled indefinitely to express the Lisbon Government's anger.

Estimates suggest that potential oil reserves in the area could reach 1bn barrels, though Dutch oil industry sources say the figure may be seven times as high.

Caught in the throes of its revolution and in the midst of liberation struggles in its African colonies, Portugal failed to respond at the time of the Indonesian takeover of East Timor – its most distant and neglected colony. Only in recent years did Lisbon seek to find a solution which would justify the aspirations of East Timor's population and, indirectly, reaffirm Portugal's international standing.

Morocco adopts programme for privatisation

MOROCCO'S Parliament has adopted legislation to privatise 113 enterprises including four leading banks and 37 hotels, an official source said yesterday, Reuter writes from Rabat.

The new law comes into force when published in the government gazette next month. Within a year the government will draft decrees detailing procedures and the operation is to be completed within six years.

The enterprises affected do not include so-called strategic sectors like the phosphate industry – the mainstay of the economy – the national airline, railways, water and electricity utilities or the central bank.

Mr Moulay Zine Zahidi, the Minister of Economic Affairs and Privatisation, told Parliament on Monday night the companies would be transferred to private ownership through the financial market, calls for tenders or a combination of both.

He said there would be safeguards to prevent them being taken over by private monopolies or the wealthy. A degree of foreign capital would be permitted, he said.

The Bill was adopted by 78 votes with 45 against and three abstentions.

Philippines economy held hostage by coup plotters

Roger Matthews assesses the long-term damage inflicted by the latest attempt to oust Mrs Aquino

SOME 3,000 men have in the past two weeks ensured a more miserable 1990 for many of the 59m citizens of the Philippines, in particular the 50 per cent who already live below the official poverty line.

At best, the rebel troops who attempted to overthrow the Government of President Corazon Aquino will have slowed the progress of the economy; at worst, their action will add dangerously to the list of those who contend that the Philippines' capacity for self-inflicted damage has yet to be fully realised.

It is that perception which will be the most threatening. A substantial increase in foreign investment is seen by the Government and international agencies as vital if the country is to break out of the decline which left per capita GDP at almost exactly the same level when Mrs Aquino came to power in 1986 as it had been in 1974.

It is difficult now to comprehend that 30 years ago the Philippines played in an altogether more elevated economic league than the likes of Taiwan and South Korea.

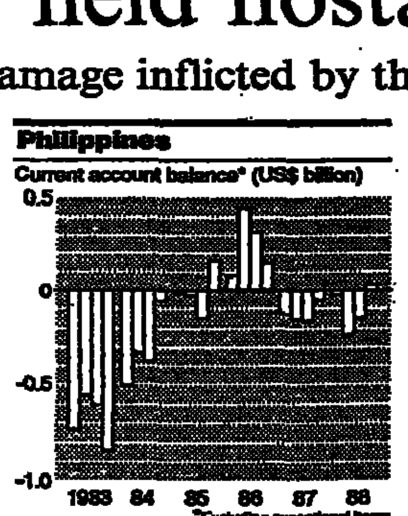
Of course those countries did not suffer the ravages of the late President Ferdinand Marcos whose influence and friends continue to cast a shadow over the country. But in the last year that shadow had retreated a little. The economy will grow this year by a respectable if, by Asian standards, unexciting 5 per cent to 5.5 per cent.

Board of Investment approvals for new foreign applications shot up by nearly 130 per cent in the first half, fixed capital formation climbed by 25 per cent, and at least part of the 29 per cent increase in the trade deficit was due to higher imports of machinery and other capital goods.

There was just sufficient evidence to support the argument that consumption was giving way to investment as the main engine of growth.

As important was the international perception of the government's economic management. Debt and aid negotiations with successively the International Monetary Fund, the Paris Club, the country's 483 creditor commercial banks and the members of the Philippine Assistance Programme passed off satisfactorily this year, and Filipino officials sensed an atmosphere of international goodwill.

It was officially predicted that the combination of debt rescheduling, additional aid commitments and improved invisibles, such as tourism, would check the worrying growth in the balance of payments deficit and allow some improvement in the country's reserves which by mid-year stood at little more than $500m (£312m), down by half since the end of 1988. Even so, close to 25 per cent of export earnings will be needed this year to service the country's $28bn external debt, underlining how vital it is for swift progress to be made on import substitution and export related projects.



If, simultaneously, aid disbursal could be speeded up (some $2bn was stuck in the pipeline last year) by cutting bureaucracy and corruption, the benefits might more rapidly reach those most in need, particularly in the countryside.

In short, despite all the obvious shortcomings, despite the Communist insurgency, despite increasing crime in the cities, and despite the fragility of its new political institutions, the Philippines was attracting greater investor interest, led by Taiwan and Japan, and aided by political intolerance in China.

None of which mattered to the officers and men of the Scout Rangers, Marines and other army units who had presumably decided that they, and whoever pulls their strings, could do better. In order to bring about this happier state of affairs they bombed, rocketed and shot up part of Manila, occupied the city's financial district, frightened a lot of foreign residents and tourists and caused the US Government to say it would cut off aid if democracy was defeated. "The need to maintain democracy was greater than any other consideration," said a senior US diplomat in explaining why jets were sent to the aid of the Aquino Government.

The immediate consequences of the rebels' action are obvious. Hotels in Manila which were full are now two-thirds empty. Companies, like Sony, which were close to commiting themselves to large-scale investments will spend some time reassessing the situation. Other companies which were not so far down the road will wait longer or look elsewhere. One Japanese executive commented that quite apart from the viability of a project in the Philippines he now had to assess the safety of personnel who would be transferred from Tokyo.

Without convincing remedial action by the Government the longer term is, if anything, more worrying. No-one in Manila, it seems, from top army commanders to senior Western diplomats will say that they think another coup attempt is unlikely. Some admit privately that they think another one is almost inevitable, given the high level of politicisation within the armed forces, the almost total lack of respect for the Constitution, and the unwillingness or inability of President Aquino to move decisively against the disaffected elements.

They fear also a continued erosion of Mrs Aquino's popular support, precisely because of the setback the economy will suffer over the next few months.

But the real absurdity is that in their disillusion with Mrs Aquino parts of the business community actually wish the rebels had succeeded.

However, they should stop and listen to what President Bush is saying. Without US and international support, the prospects for the Philippines economy under a military junta would be in sharp contrast to the modest optimism which existed on November 30.

Aquino given special powers to avoid unrest

THE Philippines House of Representatives yesterday voted President Corazon Aquino emergency powers for 90 days to help her rebuild the economy and thwart further coup attempts, Reuter reports from Manila.

The Senate, expected to approve a similar Bill, postponed its vote for a day after the opposition sparked a marathon debate on a provision that would allow Mrs Aquino to take over public utilities and related businesses. The two chambers are to present a joint Bill to the President who is expected to sign it into law this week.

The law would grant Mrs Aquino, who this month survived the sixth coup attempt against her, powers to seize firearms, take over public utilities, fix prices, regulate power supplies and confiscate hoarded food.

The lower house denied her some of the wider authority she had requested, including the power to ban strikes and suspend labour laws and an open-ended provision that some legislators said would have given her lawmaking powers.

Tunisian Islamic party seeks legality

Tunisia's Islamic movement yesterday renewed its application for legal status as a political party, but members of the movement said it seemed that the Government was stalling by refusing to accept the application, Jihan el-Tahri reports from Tunis.

The application by el-Nahdha (Renaissance) comes at a time of increasing concern in Tunisia and throughout the Arab world over the issue of Islamic fundamentalism.

An Islamic party has recently been legalised in Algeria, while in Jordan the Moslem Brotherhood and its allies won the largest bloc of seats in the new Parliament.

UK NEWS

Air crash report urges European gangways code

By Paul Betts, Aerospace Correspondent

BRITAIN'S Civil Aviation Authority (CAA) called yesterday for a new European requirement to widen gangways through aircraft bulkheads to 30 inches compared to the current international minimum of 20 inches to make it easier for passengers to evacuate an airline in emergencies.

The CAA recommendation followed a two-year research programme conducted by the Cranfield Institute of Technology in Bedfordshire and involving 2000 volunteers commissioned by the regulatory authority after 55 people died in a British Airtours Boeing 737 jet which caught fire at Manchester airport in 1985.

The new safety proposals, if adopted, would apply to new aircraft designs and not to existing aircraft. Boeing said yesterday the proposals if applied were not expected to involve any change in aircraft design but could involve some modifications in the internal fittings of certain airlines.

The CAA also said yesterday it plans to use the test results to press for international adoption of UK standards for access to overwing exits in an aircraft. After the Manchester disaster, the CAA required airlines in the UK to increase the gap between seats in front of the over wing exits.

The tests involved extensive research on human behaviour in airline crisis situations. Its main aim was to investigate the influence of changes to cabin layout on passenger evacuation rates. The results showed that evacuation of an aircraft was significantly enhanced when the passageway through the bulkhead was widened to 30 inches or more.

If adopted, the new international standards would only apply to future aircraft, British airline officials said.

Mr Ronald Ashford, the CAA's director in charge of safety regulations, said the proposed measures would not mean fewer seats in an aircraft but structural changes in the galley and wardrobe areas. A Boeing official said this would probably imply some refitting in the internal configuration of some aircraft.

Renault arm plans to cut UK workforce

By Kevin Done, Motor Industry Correspondent

RENAULT Truck Industries, the UK truck assembly subsidiary of Renault Véhicules Industriels of France, is to cut its workforce by 28 per cent in response to continuing losses and the recent sharp downturn in the UK commercial vehicles market.

RTI said that it was planning to reduce its 1,070-strong workforce at its Dunstable plant and at its Elmdon, Birmingham parts and service centre, by around 300 during the first half of 1990. The cuts will chiefly hit the company's hourly paid employees in its manufacturing and machining operations in Dunstable.

The company said the job cuts had been forced by the "decline in the UK economy with its negative effect on the road transport industry and the consequences for the truck market."

Despite speculation about RVI's long-term commitment to maintaining a truck assembly capacity in the UK in the face of long years of losses, Mr Dieter Merz, RTI managing director, said, that RVI, the parent company, had "no intention whatsoever of closing the Dunstable plant".

RVI has staged a dramatic financial recovery in the last three years after years of very heavy losses in France, but it has failed to turn round its operations in the UK and in the US, where Mack, its US associate, is also running up big losses.

In Brief

Fimbra ends meeting virtually unscathed

Lord Elton, chairman of the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra) and his Council emerged virtually unscathed from yesterday's annual general meeting held at the Wembley Conference Centre, London.

Relations between Fimbra and its members have been steadily deteriorating over the past few months, but members attending the meeting rejected a series of resolutions critical of Fimbra and Lord Elton.

Computer virus

City of London police warned yesterday that mystery computer disks delivered to offices in London, Edinburgh and elsewhere were infected with a "virus" which could seriously affect any system into which they were loaded.

Immigrants arrested

EIGHTEEN of 64 cleaners arrested at BP's City of London offices on suspicion of breaching immigration regulations were served with deportation notices yesterday.

Airport standstill

Manchester Airport, Britain's third busiest, remained closed to all passenger flights yesterday, disrupting services to North America and Europe, as concession holders started to lay off staff and close down shops because of a strike

Hill Samuel case

Five men accused of conspiring to defraud Hill Samuel, the merchant bank, were yesterday committed by Guildhall magistrates for trial

Port dismissal

Dismissal notices were yesterday sent to more than 700 dockers taking unofficial industrial action which has disrupted sailings at Felixstowe.

W German job talks

Mr Peter Brooke, Northern Ireland Secretary, said economic development officials are negotiating with two West German companies which could create several hundred jobs in Northern Ireland.

Company to demerge subsidiaries to relieve crippling debt burden

Eagle Trust board unveils rescue plan

By Richard Tomkins, Midlands Correspondent

THE new board of directors of Eagle Trust, the mini-conglomerate at the centre of an investigation by the Serious Fraud Office into the alleged misdirection of funds, yesterday unveiled a rescue plan aimed at salvaging some value from the company for its shareholders.

It will mean demerging some of the group's subsidiaries into sub-groups to relieve them of the crippling debt burden built up by the parent company as a result of the financial irregularities now under investigation.

Mr David James, the company doctor who stepped in as Eagle's chairman in September, told a meeting of about 300 Eagle shareholders in Birmingham yesterday that the parent company had incurred losses of £64m, wiping out shareholders' funds and leaving a deficit of some £20m.

The parent company's bank debts of £60m were now so great that although many of the subsidiaries were profitable, they could not make enough money to pay off the parent company's interest charges, still less reduce the deficit.

The new board's plan is to hive off some of Eagle's subsidiaries into two smaller holding companies: a film and television group comprising Samuelson and Cine Holdings, and an industrial group comprising Mitchell Somers, John Sydney and Trio Containers.

The rest of the businesses will be divested, and the proceeds – which Mr James estimated could reach £30m – will be applied to bringing down the parent company's debt.

Residual debt will be split between the two sub-groups. Eagle's 32,700 shareholders will receive shares in either or both of the new companies in proportion to their existing holdings.

Eventually, the aim is to bring the new holding companies back to the stock market.

Mr James told shareholders that £27m of Eagle's losses stemmed from the group's involvement with Eagle Express, the parcels subsidiary which is now in liquidation, and £26m from its involvement in LaForza, a motor car project.

Funds had passed between these two companies "with the speed of the ball at a Chinese ping-pong match" and it was difficult to establish how the losses had been incurred.

About £10m appeared to have ended up with the car project, and some £13.5m appeared to have been used to meet sub-underwriting commitments in Eagle's disastrous 1987 rights issue, Mr James said.

"Of the rest, part funded losses at the parcels business. But that still leaves a lot of cash missing, which is the subject of continuing investigation."

Clarke rules out pay formula for striking ambulance workers

By Fiona Thompson, Labour Staff

THE increasingly bitter ambulance strike reached deadlock yesterday as Mr Kenneth Clarke, Health Secretary, ruled out ever giving ambulance workers a pay formula or review body - the main plank, along with this year's pay award, of the 13 week-long dispute.

In an interview with the Financial Times, Mr Clarke was not in any way placatory towards the claim lodged by the five unions representing the bulk of the country's 22,500 ambulance staff.

He stressed that under no circumstances would he intervene and order the NHS management to pay more money to end the dispute. The 9 per cent offer over 18 months was final.

He dismissed support shown for the ambulance workers by the public in a series of opinion polls as due entirely to their popularity, not any understanding of their pay claim.

Mr Clarke's comments came as ambulance crews in London voted to boycott, from 7am tomorrow, emergency calls going through official channels and act only on pleas for help made directly by the public, police, hospitals, local doctors and firefighters.

Crews have said they will circulate a list of ex-directory numbers for people to ring. At the moment, all emergency calls in London are being pased through to the police, army and voluntary services.

Mr Chris Spry, general manager of the South West Thames regional health authority, which runs the London service, described the escalation of the dispute as "an extremely dangerous step and the most significant threat yet to patient safety".

The decision to step up action came on the eve of talks between management and unions this morning, which already had a question mark over them.

Mr Clarke said that if the deal was not accepted by enough ambulance staff, management would presumably in due course impose it.

The unions have claimed throughout the dispute that Mr Duncan Nichol, NHS chief executive, has been following orders from Mr Clarke. But Mr Clarke denied he had any role to play in ending the dispute.

Government claims 99.95% response to poll tax registration

By Richard Evans

AN AVERAGE 99.95 per cent of people liable to pay the community charge, or poll tax, in England and Wales from next April 1 have now registered across the country, the Government claimed yesterday.

The figure for the City of London is a remarkable – some would say miraculous – 145.5 per cent.

The figures, reminiscent of the turn-out in Soviet elections in the pre-Gorbachev era, would mean that fewer than 18,000 have failed to register across the country.

They were treated with the deepest scepticism by local authority leaders and by politicians.

"I don't want to belittle the marvellous job councils have done, but this is ridiculous. It just shows up the silly basis of the comparisons and the paucity and inadequacy of the figures," said Mr Martin Pilgrim, under secretary for finance at the Association of Metropolitan Authorities. It was a typical reaction.

The figures are based on a Government estimate that 35.67m adults are eligible to pay the charge, and this in turn is based largely on 1981 census figures, updated by the Office of Population Censuses and Surveys from National Health Service and other sources. The figures are acknowledged to be inadequate and out of date.

What the comparisons do appear to show, though, is that the campaign by some Labour-led local authorities – opposed by the national leadership – to discourage registration has failed although the numbers of those registering as a proportion of the eligible population is bound to be less than the government's claims.

Mr David Hunt, Minister for Local Government, told the Commons that the returns represented a triumph. "The Government is on course for a successful introduction of the community charge next year - 99 per cent registration represents a major success in any terms," he said.

The figures inevitably show a wide range of registration levels, partly because of demographic changes and partly because of variable enthusiasm and competence among local authorities.

Continental debut for traditional mint crisp

By Alice Rawsthorn

A bastion of the British dinner party, Elizabeth Shaw mint crisps, could fall into Scandinavian hands if Huhtamaki, the Finnish food group, succeeds in its attempt to buy the business.

Huhtamaki has been associated with Elizabeth Shaw – which makes liqueur chocolates, children's chewies and Parkinson's boiled sweets as well as mint crisps – since the spring when it acquired a minority shareholding to support a £24m management buy-out from Hanson.

It has since added its UK confectionery products to Elizabeth Shaw's portfolio and the two companies have developed plans to use Huhtamaki's distribution system to introduce Elizabeth Shaw's mint crisps and boiled sweets to other countries.

Huhtamaki, through the Leaf Group, its UK subsidiary, has approached Shaw to take full control of the company. It presently holds 30 per cent of the equity. The two companies are still in discussions, but the deal is expected to be concluded early next year.

Elizabeth Shaw has passed through the hands of a number different owners in the 1980s. It was bought by the Imperial Group in 1986 and then by Hanson – when it pounced on Imperial – the following year. This spring it won its independence as one of several food businesses to stage buy-outs from Hanson.

The company, which employs around 800 people, owns a chocolate factory in Bristol and a confectionery factory in Southport. It made operating profits of £2m on turnover of £30m in its last financial year. The addition of Leaf's products has boosted its turnover to £40m.

Mr Geoff Matthews, managing director, said Elizabeth Shaw could continue as an independent company but it needed to secure additional capital to expand internationally. Huhtamaki, he said, would offer access to the necessary capital and provide the distribution network needed to introduce Elizabeth Shaw mint crisps to the continent.

Government softens stance on golden shares

By Charles Leadbeater, Industrial Editor

THE Government yesterday signalled it was ready to adopt a more sympathetic approach to bids for privatised companies after saying it was unhappy about holding golden shares which generally limit foreign ownership.

Mr Nicholas Ridley, the Trade and Industry Secretary, told a House of Commons committee that the Government had reservations about holding golden shares in privatised companies, particularly where the shares have a limited lifespan.

He argued that the shares' restrictions on foreign ownership may become increasingly out of place as investment decision had to be seen in an international, and particularly a European, context.

Mr Ridley's comments cast further doubt on the Government's commitment to the 11 golden shares it holds.

The Government waived its right to use its share in Britoil during its takeover by BP and in October Mr Ridley cleared the way the Jaguar takeover by Ford of the US waiving his right to prevent a foreign takeover.

Companies such as British Steel and the privatised water companies, where the Government holds shares with a duration limited to five years, will become more likely takeover targets. The Government may be increasingly reluctant to use golden shares in future privatisations.

Mr Ridley said he could not imagine circumstances in which the Government would redeem those special shares which are indefinite life.

It has emerged, however, that British Aerospace, the largest company with an indefinite golden share, has become increasingly critical of the way limits on foreign ownership inhibit its ability to take part in the restructuring of the European defence and aerospace industries.

A memorandum BAe has submitted to the committee on trade and industry suggests that the company would prefer the share to be redeemed.

The committee launched its inquiry after the waiver of the Jaguar share 14 months before it was due to expire.

A special share can enshrine a variety of conditions in a company's articles of association, ranging from limits on foreign ownership to the composition of its board of directors.

Most of the shares have an indefinite duration but some are intended to offer a company temporary protection while it adjusts to the commercial environment.

Mr Ridley, responding to criticism that his Jaguar decision tipped the balance in favour of Ford and away from General Motors – the partner preferred by Jaguar senior managers – said: "The evidence from Jaguar is that far from being a great help the golden share was a complication and not a desirable thing to have."

The Government had reservations about golden shares because they created dilemmas which it should not have to face. Whether it decided to waive or keep its golden share in the midst of a bid, the Government was in danger of discriminating against one bidder in favour of another, he said.

Mr Ridley implicitly accepted that the shares could serve as a shield to protect managers from the discipline of takeovers. He said his decision to waive the Jaguar share was justified by his responsibility to allow shareholders to consider a full bid. This came second only to his responsibility to consider the national interest.

Increasingly, however, the interests of the European Community were replacing the British national interest as the overiding criteria for assessing ownership, he said.

The BAe memorandum notes six disadvantages with the golden share which limit the company's profile in overseas financial markets, suppress its share price and cloud strategic choices which might involve cross shareholdings with foreign defence contractors.

VSEL, the submarine manufacturer, said the Jaguar decision had made it realise that its golden share would not necessarily protect it from foreign takeover.

Most of the other privatised companies which submitted evidence said their golden shares made little difference to their business and were generally effective in limiting foreign control.

Charter opens chapter in workers' rights

Labour says it is espousing the European Social Charter, **Michael Cassell** reports

WITH Mrs Margaret Thatcher back from Strasbourg, pledging a step-by-step, rearguard fight against implementation of the European Community's Social Charter, the issue seems set to remain close to the centre of the Westminster debate over what type of Europe is best for Britain.

Although Mrs Thatcher has chosen not to maintain her portrayal of the planned package of workers' basic rights and standards as "a throwback to a marxist period," her opposition to the detail of what is being proposed remains absolute.

The British Government, she insists, has no objection in principle to a European social dimension or to a charter which advances that objective – particulary in areas like health and safety – but Mrs Thatcher says the Government must be allowed to decide which elements of any social programme are a matter for Community and national consideration.

The test, according to Mr Norman Fowler, the Employment Secretary, is the impact any charter will have on creating new jobs and cutting unemployment – a priority in the completion of the single market. Labour costs, ministers claim, will inevitably rise.

Mrs Thatcher has already claimed that Labour's plans to implement a statutory minimum wage – a proposal not actually contained in the Social Charter's lengthy action programme – will raise unemployment by 500,000 in three years.

In the next election manifesto, Labour will promise a minimum wage starting at 50 per cent of male median earnings, raising pay for around 4m people. The figure will ultimately be raised to two-thirds of median earnings, though there are no promises about timing.

Mr Tony Blair, Labour's employment spokesman, claims that the measure will have "no serious effects" on labour costs, a view he bases on the experience of other countries which have introduced such measures.

Ministers vehemently disagree and are also alleging that part-time jobs, principally involving women, will be particularly vulnerable under the charter. They claim that young people will also lose out under any Brussels-imposed employment laws.

Mr Blair last week invoked the assistance of Mrs Vassou Papandeou – the responsible EC Commissioner whose remarks have been quoted in support of both sides of the issue – to deny the Government's claims. In response, she alleged "purposeful misrepresentation" on the part of UK ministers.

Mr Blair admits that no one knows what the overall impact of the charter will be on unemployment. He adds: "It is only the Government which espouses certainty about this. The principal reason that I am in favour of the charter is not because I am certain that it will create jobs in the long term. It is difficult to judge the balance of that."

But he says the spectre of massive job losses is "inherently unlikely," not least because many EC countries with excellent employment records have already implemented charter-type rights.

Labour may have its own reservations about aspects of plans for stepping up European integration – notably in the form of pre-conditions for full British membership of the European Monetary System and opposition to the next planned steps towards economic and monetary union – but on the Social Charter there are no qualifications.

Mr Blair says Labour will not "pick and choose" as Mrs Thatcher is trying to do and that it will sign up for the entire charter.

To Mr Blair, the charter is about looking ahead. It has, he insists, polemic importance for the party because it shows it "leading the charge" on workers' rights. To Mrs Thatcher, it is a charge towards unacceptable uniformity and unemployment; the battle is only just beginning.

Matsushita to link with Edinburgh company

By James Buxton, Scottish Correspondent

MATSUSHITA Electric Industrial, one of the world's leading electrical and electronic groups, is to pay £9.5m to form a partnership with Office Workstations, an Edinburgh-based software company. Office Workstations (OWL), which had sales last year of £2.3m and employs 89 people, is a leading provider of software systems enabling computers to read and write electronic documents.

Under the agreement Matsushita, whose brand names include Panasonic, Technics and National, will purchase 62 per cent of the shares of OWL for £8m while maintaining it as an independent company under its existing management. It will also inject £1.5m to finance further expansion.

It is likely to place substantial orders with OWL and will buy the remaining shares after five years. OWL was founded in 1984 by engineers who spun out of a former ICL plant near Edinburgh. It specialises in hypertext systems, which enable users to browse on computer screens through very large amounts of text and graphics stored on compact discs. It has developed Guide, which it says is one of the leading hypertext systems for use with personal computers.

It envisages a rapidly expanding market for users such as lawyers and academics. Matsushita, which had 1989 sales of $42bn, wants to use OWL's technology to develop products for the consumer electronics market.

OWL's products also fit in with other Matsushita objectives including developing office equipment and document management systems.

Mr Ian Ritchie, OWL's founder and managing director, said he believed OWL could become the research and development arm of Matsushita in Europe. The deal would strengthen OWL's engineering clout. Half its sales come from the US where it has an office near Seattle for sales and marketing, though its headquarters and research and development are in Edinburgh. It forecasts turnover of £6.8m in 1991.

OWL only moved into profit last year but realised that it needed to find a larger partner and had discussions with US and European companies.

OWL's investors are the Scottish Development Agency, Investors in Industry (3i), Syntech, a high technology investment company and Candover Investments, the management buyout specialists, as well as its own founders.

● Alan Cane writes, Aregon Group, a computer software company established under the aegis of the National Enterprise Board during the last British Labour government, is merging with Kapiti, another privately owned UK software house, to form a new organisation also called Kapiti and specialises in financial computing systems.

Taurus saga ends with stock market system compromise

By Richard Waters

AFTER eight years of effort, yesterday brought the go-ahead for the London stock market's automated clearing and settlements system, Taurus.

Formal approval for the system came at a meeting of the securities industry steering committee on Taurus yesterday morning.

The decision - provided it wins the support of the wider City interest groups which have yet to see details of the plan - ends a saga of indecisiveness and mismanagement over the design for the system.

One big technology company commented recently that it had first been treated to a presentation on Taurus from the Stock Exchange in 1982. The Exchange had made further presentations as designs came and went, culminating in one this summer, yet even this was not the design which has now been adopted.

Asked after yesterday's meeting whether the latest version really is the one that will get built, one member of the committee said: "If this isn't it, God knows what is." A great deal of consultation had been carried out first, he said.

Approval for Taurus was only made possible after an eleventh – hour compromise which effectively means that two parallel sytems will be built, rather than one. This was because no single system could be found which was flexible enough to meet the concerns of all parties involved - principally brokers, registrars and listed companies.

Under one system, clearing and settlement will remain exactly as at present, but with the paper removed from the system. Registrars will continue to maintain listed companies' share registers, while brokers will be faced with no greater responsibilities than they have at present.

Under the other, the sole record of shareholdings will be with brokers or others who opt to become what are known as "undesignated Taurus account controllers". To find out who owns their shares, listed companies will need to search through these records. A system, known as the listed companies access service, has been designed specifically for this task.

The committee which developed the latest design for Taurus hopes to gain support in principle by the end of March from those affected by it. It plans also to have carried out a cost-benefit analysis of its proposals by the same time.

Following this, there is likely to be renewed haggling as an attempt is made to allocate the development costs among those involved.

Survey says retailers reject irradiated food

By Philip Rawstorne

TWELVE of Britain's biggest food retailers have decided they will not stock irradiated food, the pressure groups Friends of the Earth and the London Food Commission claimed yesterday.

Their survey of retailers showed only one supermarket chain, J. Sainsbury, willing to sell the treated food if the current ban is lifted by the Government's Food Bill, now in the House of Lords. The groups called on consumers to press the company to change its decision.

Retailers which have rejected irradiation because of safety uncertainties, environmental concerns and lack of consumer demand, are: Asda, Budgens, Co-op, Gateway, Iceland Foods, Littlewoods, Londis, Marks and Spencer, Spar, Tesco, Waitrose, and Walter Wilson.

FoE's survey showed Kwik Save and Safeway still undecided.

Mr David Gee, FoE director-designate, said yesterday: "In rejecting food irradiation, these major retailers are showing a concern for the health and safety of their customers.

"If the Government ignores the overwhelming rejection of food irradiation by trade and public alike, consumers will have no choice but to vote with their purses."

Population leaving cities

THE population drift is continuing from the cities to the countryside and coast, according to the latest edition of Population Trends, the Office of Population Censuses and Surveys quarterly journal.

The overall number of people in the UK rose by 135,000 last year to 57.1m, but the populations of London and other big cities fell.

"The population of Greater London has been relatively stable in recent years after large losses in earlier years, but a fall in 1987-88 was large enough to show an average annual loss of one per 1,000 during 1984-88 as a whole," it says.

In the same period, the population of Britain's principal cities fell by five per people per thousand and the metropolitan counties two per thousand.

Emigration in 1988 was 237,000, the second highest in the past 10 years and net emigration 21,000.

Population Trends 58 (Winter 1989). HMSO: £6.50.

MANAGEMENT: Marketing and Advertising

Vuitton tries to keep exclusivity in the bag

Alice Rawsthorn on the luxury goods maker's design-led strategy

For years wealthy and would-be wealthy women have tripped along the Rue Faubourg St Honoré in Paris and Fifth Avenue in New York laden with luggage bearing the tell-tale initials of Louis Vuitton.

The Vuitton bag is instantly recognisable as a symbol of conspicuous consumption all over the world. The financial world knows it best for its role in the battle between Henri Racamier and Bernard Arnault, who are fighting over LVMH, the French luxury goods group which owns the company.

While they have battled everywhere from the French courts to the pages of the financial press, a quiet revolution has been wrought at Louis Vuitton.

Vuitton is one of the most profitable parts of the LVMH empire. Its business has boomed in the 1980s as sales of luxury goods – like its monogrammed luggage – have soared. But there is a danger of Louis Vuitton becoming too successful. Somehow it must strike a balance between continuing to increase sales without jeopardising the exclusivity which is essential to the appeal of its products.

Three years ago it introduced *cuir épi*, its first new range of products for years. From now onwards it intends slowly but steadily to bring out other collections in an attempt to appeal to the generation of young consumers who may see its monogrammed bags as a little too ostentatious.

Louis Vuitton traces its origins to the 1820s when its eponymous founder walked all the way from the provinces to Paris where he was apprenticed to a trunk maker. He made his name by packing the Empress Eugénie's trunks without creasing her crinolines.

In the 1850s he opened his first factory to make canvas-covered trunks. The company made some as standard and others to specification. One was designed with a folding bed inside for Pierre Savorgnan, the African explorer. Another was made for Charles Lindbergh, the aviator. Whenever wealthy Europeans boarded luxury liners to cruise around the Mediterranean or across the Atlantic, they were invariably accompanied by Louis Vuitton luggage.

Vuitton has been the name in luxury luggage ever since. But by the 1970s it was struggling to stay afloat as a small family firm with two shops and sales of FFr70m (£45m). Henri Racamier, the steel tycoon who had married a Vuitton heiress, was drafted in to succeed his mother-in-law and run the company.

Françoise Jollant-Kneebone: her team of 29 includes four designers and 11 craftsmen

Racamier overhauled Vuitton's distribution by withdrawing its products from department stores – except those in the US – in favour of selling them through its own shops. His biggest coup was to develop the Japanese market. The streets of Tokyo and Osaka are now crammed with conspicuous consumers all carrying Vuitton bags.

Vuitton mustered turnover of FFr3.3bn last year, more than 80 per cent of which came from outside France. It now owns 140 shops, including "corner shops" in department stores all over the world.

Louis Vuitton sells on an unashamed image of luxury. But one of the most important elements of luxury is exclusivity. The sheer profusion of monogrammed bags and the flood of cheap copies made by counterfeiters means that – like other totems of conspicuous consumption, Rolex watches, or Porsche cars – Vuitton is in danger of being seen as a symbol of the nouveaux riches, rather than the old money with which it was originally associated.

There is no sign of a slowdown in sales of monogrammed bags. Sales are still soaring in Japan, which is now the company's biggest single market. A quarter of all Vuitton products was sold in Japan last year and another quarter was sold to the Japanese travelling in other countries. And sales are also increasing in Europe.

Vuitton works hard to preserve its image of luxury and exclusivity. The production process at its French factories is still highly skilled and labour-intensive. The suitcases made at its original factory in Asnières on the outskirts of Paris contain 800 nails all banged in by hand. Every year it devotes an amount equivalent to 2 per cent of turnover to stamping out counterfeiting.

But as the company is well aware, there are some people who would never buy a monogrammed bag. Françoise Jollant-Kneebone, who arrived at Vuitton three years ago from the Georges Pompidou Centre in Paris where she was head of design, was once quoted as saying that she would not have thought of buying a Vuitton bag before she joined the company.

"There are some people who will never buy a monogrammed product," she says. "They do not want initials stuck over everything."

Vuitton's solution is to use its skills in luxury luggage by bringing out new products for different types of consumers. It started in 1986 with the introduction of *cuir épi*, a plain coloured range of bags in etched leather with just one – very subtle – set of LV initials. *Cuir épi* now provides 10 per cent of the company's sales.

The success of *cuir épi* encouraged Vuitton to consider introducing other new designs. Early in 1987 it brought in Jollant-Kneebone as its first director of design to revise the existing ranges and to work on new collections.

She arrived to find a "design department" composed of one designer. "The company had been working on its original styles for so long that it really did not need designers," she says. Today she has a team of 29 people, including 4 designers and 11 craftsmen working on protoypes.

One of the most important parts of their work is to review and revise the existing range. One project is to develop a new range of soft-topped monogrammed suitcases. Jollant-Kneebone insists that the changes should not be dictated by fashion. "Vuitton is not into fashion. When we put something into the range it is there forever."

The design team is also working on new collections. A new version of *cuir épi* – *épi partielle*, where the etched leather fades into a smooth finish – will be launched next year. It will also introduce a new range of dark green, cross-grained leather.

Buffalino, a new collection of travel bags, will come out too. These bags will be made in sturdy leather to complement *cuir épi*, which is too soft to be hurled on and off airport carousels. Initially buffalino will be made in brown, to match the monogrammed collection.

Vuitton has also already diversified into new product sectors such as pens and watches, which are made by dedicated production units at other companies.

As Jollant-Kneebone admits, initially it was difficult for the company to adapt to the arrival of a new phenomenon like a design department. These difficulties were compounded, she says, by the fact that designers work "transversally", or across the company, by dealing with every department.

The use of external designers, who work with the Vuitton team by contributing "new ideas" to various projects, has also been difficult. Some designers saw themselves as "stars", she says, who simply dictated ideas to the company. She sees their role as collaborative, working alongside the internal designers and the craftsmen on long term projects.

One of the chief difficulties was that Vuitton's sales were rising so rapidly – by 30 to 40 per cent a year – that its factories were already struggling simply to satisfy demand for the original ranges. This meant there was little capacity for new products. This problem has been resolved by creating special teams within the factories to work exclusively on the new designs.

Vuitton's objective is that the new designs should provide 25 per cent of its sales – against 10 per cent today – within three years. All the new collections are designed to occupy the same luxurious niche as its original products. One of the chief challenges for the future will be to ensure that the new designs do attract new consumers, rather than simply stealing sales from the traditional styles.

Perhaps the toughest test of all will come next year when a new collection of dark green leather goods will be introduced – bearing the tell-tale initials of Louis Vuitton.

Off-course gambling

Betting on a younger generation

Philip Rawstorne on the aims of Ladbroke's latest campaign

Some £6bn will be gambled this year in the UK's 10,000 betting shops – a 50 per cent increase since 1986.

Off-course betting is big business, as leisure group Brent Walker's recent £685m purchase of the William Hill/Mecca chain of 1,500 shops confirmed.

The betting boom is also good news for the Treasury which last year extracted £417m in duty from the £5.2bn off-course betting turnover, more than double the pre-tax profits of the entire bookmaking industry.

If not yet an essential part of the British way of life, off-course betting is certainly playing a larger role in the public's leisure.

When Ladbroke, the UK's biggest betting shop operator, researched the market in the early 1980s, it found a gambling clientele that was ageing and declining in numbers. Now the 4m regular gamblers include a growing proportion of young, up-market punters who look on a flutter as fun rather than a serious way of trying to make money.

Ladbroke this week launched a £3m advertising campaign designed – by Saatchi & Saatchi – to encourage this trend and to try and secure a greater share of a growing market than its competitors.

The trend owes little so far to traditional advertising and marketing. The 1960s legislation not only restricted the number of licensed betting offices but imposed severe legal constraints on advertising their operations. Bookmakers cannot advertise the address of a betting shop in a newspaper, or advertise their products in the shop window. They must not allow people outside the shop to see what is going on inside.

Such restrictions have been offset, however, by the coverage of racing and betting in most of the national daily newspapers and on television; though until 1986 the betting shop remained the only place where it was against the law to watch television.

But as the big bookmakers began to dominate the industry – reducing the number of betting shops in the process from around 16,000 in 1966 – the Government finally yielded to their lobbying and to more relaxed social attitudes.

Live coverage

In 1986, it allowed television into the shops, and soft drinks and light refreshments as well. The change in the law led not only to betting shops showing racing transmitted live by the BBC and ITV, but to the development of a customised video service of live horse and greyhound racing delivered directly by satellite.

Satellite Racing, or SIS, set up by the bookmakers has been one of the principal generators of the growth in off-course betting turnover. It now brings live races to betting shops from Hong Kong as well as British tracks, and transmits sound commentaries as far afield as Barbados and Sri Lanka.

Other changes have made betting more convenient and entertaining. Ladbroke, which had largely confined its advertising to listing ante-post prices in the racing press, has turned to British Telecom's premium rates service to provide racing information and commentaries, football scores, and other sports news. Regular up-dated betting information on sports events from snooker to golf are also shown on ITV's Oracle teletext.

And in the past three years, Ladbroke has spent £20m improving its betting shop furnishings and facilities, though it admits they are generally still below the standards that are likely to be demanded in the 1990s.

"A lot of new people are coming into the market place," says Colin Walker, Ladbroke's marketing director, "and they are very different from the traditional image of the older, regular gambler, seriously studying the racing form to pick a four-horse bet.

"The newcomers bet to add zest and excitement to their interest in many different sports. It gives them a greater sense of involvement to wager on the winner of a golf tournament or who scores the first goal in a football match. Their attitude to betting is that it is nice to win but losing is not the end of the world."

National posters and press advertising will seek to associate Ladbroke with the fun and excitement. "Bet it's more exciting" will be the constant theme of the advertising which will cover several sports including horse-racing, soccer ("It will feel like a whole new ball game . ."), and American football ("Bet your bottom dollar").

With more and more sport on more and more television channels, our business can provide an added flavour," says Walker.

Marketing abstracts

Hewlett-Packard direct marketing. *L O'Driscoll in Direct Response (UK), May 89 (3 pages)*

Essentially an interview with H-P's UK market development manager, this traces the development of direct marketing from an unco-ordinated state in 1985 through to the introduction of a customer information centre which provides all direct marketing activities as well as sales leads. Looks at how this centre links with telesales and the sales force in creating a "closed loop marketing information system" and in establishing greater efficiency (from an estimated 75 per cent of leads thrown away, as they were thought – by the salespeople – to be a waste of time, this is now down to 10 per cent).

The making of a new corporate image. *C Cajet in The Journal of Business Strategy (US), May/Jun 89 (3 pages)*

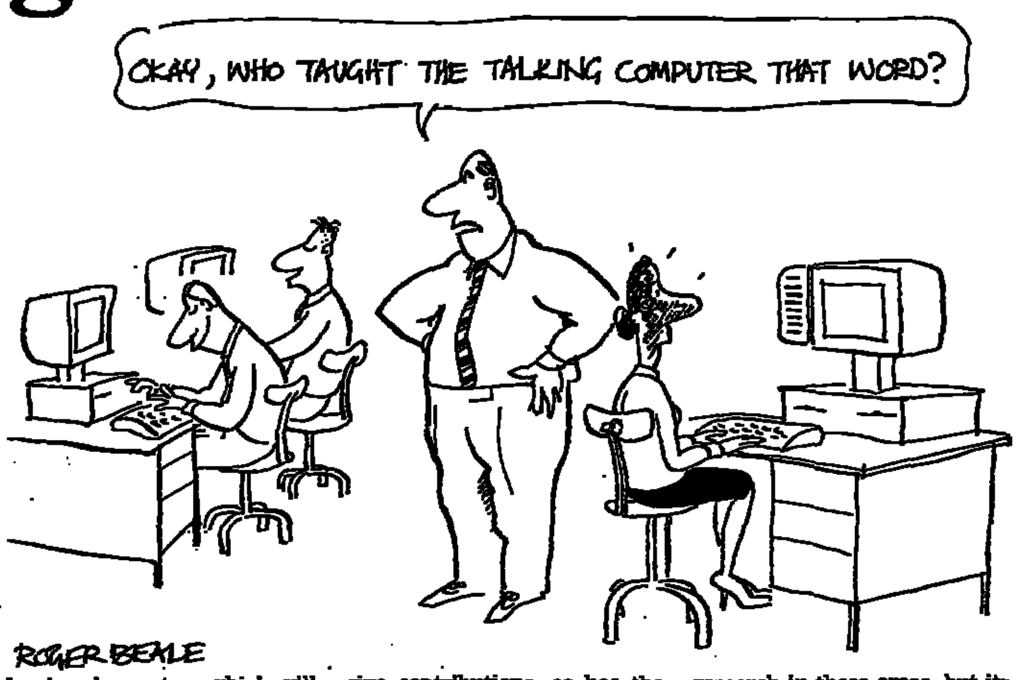
Examines the importance of corporate identity as the most visible element of corporate strategy, and gives examples of US companies who have changed their identity (and name) to reflect changes in their original mission – such as American Can (diversified conglomerate), which dropped the name and became Primerica; gives advice on image reshaping.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p; cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY.

TECHNOLOGY

Alan Cane says the multilingual system that will respond to continuous speech is not far off

Computer with a good line in chat



The day when computer users will be able to talk to computers in their native language and receive a spoken reply is advancing more rapidly than anyone could have predicted.

Computers can already be taught to recognise individual words from a variety of speakers with more than 99 per cent accuracy. The real test, however, is to create a computer system that can recognise contiguous speech – complete, uninterrupted sentences.

Pol Hauspie, co-founder of Lernout and Hauspie, a small Belgian company that is rapidly making a name for itself in speech products, believes such an advance is only five to seven years off. "And maybe faster; we continually underestimate the speed of technological advance," he says.

Computer systems have been built that will recognise up to 60,000 individual words. They are used, for example, in "intelligent" typewriters that turn speech into printed text. But the words have to be presented separately and the system has to be "taught" to recognise a particular speaker's voice. Technically, such a system compares the voice pattern of a spoken word presented to it with samples stored in its memory.

To move within a few years from such a comparatively modest attainment to something that seems closer to science fiction would be a spectacular technical and philosophical achievement.

What is giving computer speech researchers the confidence that it will happen, however, is rapid advances in two important technologies.

First, the new commercial availability of rewritable (read-and-write) optical disk drives provides the enormous capacity needed for digital speech storage. These drives are available from a number of Japanese suppliers including Canon, Hitachi, Maxoptix, Ricoh/Olympus and Sony.

Lernout and Hauspie, for example, uses drives built by Ricoh. Models which will be available early next year will be able to store 28,000 hours of speech in a floor-standing "jukebox" of optical disks

Second, new kinds of computer software are available which analyse speech patterns in more profound and contextual ways than earlier comparative techniques. The comparative approach has been set aside in favour of analysis of the sounds "heard" by the system.

Lernout and Hauspie have developed a system which will accept typewritten speech in a number of languages and output a comprehensible spoken sentence. Such techniques take national and regional variations into account. Imagine, for example, typing in French the sentence "Stop in the name of the Law" into the Lernout machine. In French speaking mode, it will repeat the sentence perfectly comprehensibly.

Now type the same sentence in English. The response will be comprehensible but it will sound exactly like Peter Sellers doing his Inspector Clouseau impersonation. The system, which has no knowledge of the meaning of the words, simply tries to pronounce them like a French-speaker, following the rules of spoken French.

Many of the world's major laboratories recognise the significance of developing speech recognition and generation as a channel of communication between man and machine. AT&T's Bell Labs and IBM's laboratories both in the US and in Europe have made impressive contributions, as has the Joint Speech Research Unit in the UK.

Three principal areas of investigation are common to these efforts:

- *Digitisation of speech.* Turning the sentence into the computer language of 0s and 1s – and storing it in such a form that it can easily be retrieved.
- Conversion of written text into audible speech. Everybody is familiar with the unnaturally harsh and metallic examples of digitised voice available today; Hauspie believes that natural tones will be possible within months.
- Speech recognition. This is the most difficult area. It is divided into speaker-dependent recognition – the use of a password spoken by a particular individual for access control, for example – and speaker-independent recognition, whereby anyone could dictate a letter to a personal computer in any language.

Lernout & Hauspie, a tiny but fast-growing company based in Ieper in the Flanders region, carries out original research in these areas, but its chief strength is the way it "packages" the work of others – chiefly research carried out in the universities of Ghent, Mons and Louvain.

"We are in the business of peripherals," says Bart Verhaeghe, director of marketing and sales. "We provide alternatives to conventional keyboards and conventional displays. We make computers talk and we make them understand our voices."

Where the company has a distinct advantage, Verhaeghe insists, is in its situation in Belgium at the centre of a polyglot community: "There are quite a number of software packages for purely Anglophone usage but very few which are multilingual," and its broad mix of computer scientists and language specialists: "When we developed Italian versions of our digitised voice response system, we had to teach the computer to sing."

Its catalogue of products illustrates the new potential of speech products. It has developed, for example, a computer assisted voice storage system which is already being used in banks, dealing rooms and by the police.

In many stock markets, for example, it is now mandatory to record all transactions between dealers using multi-track tape recorders. The problem is the time taken to search for any single transaction in hours of recording tape. The Lernout & Hauspie call logging "Digilog" system can store up to 7,000 hours of continuous speech on optical disks and use "fuzzy" search techniques to find any single conversation within minutes.

A hands free car telephone system is available which is controlled by a set of simple commands. What makes this system special is that it operates efficiently even against background noises – radio and heater fans running – that make ordinary conversation difficult.

Among other offerings are a telephone banking system, a job information system and a market research system.

Founded at the end of 1987, the company this year won the Flanders Technology International Award for innovation, and is building an international customer list including the Belgian banks BAC and Argenta, Group 4 Securitas and Deutsche Mailbox of West Germany.

The firm was founded by Jo Lernout, who worked in Belgium for the US minicomputer manufacturer Wang, and Hauspie, whose earlier activities included accountancy and software. Starting with BFr12m (£200,000) of their own capital, the company's capital base was strengthened to BFr62m in 1989 through a BFr50m investment from the venture capital firms GIMV, VIV and Benevent.

It has a five-year strategy which begins with call logging and voice mail applications and moves on to hands free systems such as the in-car telephone and voice dictation. Finally it will develop stand-alone voice input/output modules for which it can sell licences to other manufacturers.

But if the future looks bright for speech products, there are still many research problems for Lernout & Hauspie's university-based collaborators: "There are problems that we cannot resolve," Hauspie says. "Such as the tonal languages like Chinese and Thai." A word in these languages may have several meanings depending on its pitch. And computers, despite instruction from Italian tenors, are tone deaf.

WORTH WATCHING

Edited by

Della Bradshaw

Natural gas travels by cab

LONDON'S black taxi cabs could be turning green, with plans to convert the vehicles to run on natural gas as well as on diesel fuel.

A technology developed by AFS International, of Calgary, enables diesel-powered vehicles, such as London's 17,000 black cabs, to switch to natural gas for about 95 per cent of their fuel needs. (Diesel is still needed as a pilot fuel.)

The add-on unit requires no modifications to the diesel engine, although high-speed electronic valves have to be added to metre and deliver gas to each cylinder. A second fuel tank is required to store the gas under pressure.

The natural gas, which cuts down on exhaust pollutants, could eventually be piped to service stations, so that taxis, or other diesel-powered vehicles, such as lorries or buses, could fill up in the normal way. Diesel-driven boats or barges could also use the system. Compucab, of London, part of Datacab, is to promote the technology in the UK.

Temperatures turn on the radio

SHOPKEEPERS, eager to convince their customers that their chilled or frozen food is safe, are turning to radio as well as refrigeration technology to prove the point.

They are installing a system which monitors the temperature of food held in cabinets or freezers, but which does not need mains electricity.

Instead, a tiny low-powered radio transmitter is combined with a sensor to warn when the temperature falls below a specified level. The transmitter then sends a message to a central alarm unit.

The radio telemetry system, from Radio Data Systems, of London, can be attached to devices other than temperature sensors — to monitor the workings of a pump, for instance.

Water detector gets into the flow

AN electronic invention from Sweden is helping to bring the black art of discovering underground water into the 1990s.

The portable device, called the Wadi, works by measuring the very low frequency radio waves which travel over the surface of the earth. These waves are affected by the underground composition of the rocks. Changes occur when the hand-held measuring device passes over water-bearing structures.

The changes are revealed on a graphical display, which the manufacturers, Abem, of Stockholm, say can be interpreted by people with limited geological expertise.

As well as replacing the dowsing rod for discovering underground water, the Wadi can also be used to detect metals, as electrically conductive ores also change the pattern of the radio waves.

Standards must be maintained

ON the face of it standards can appear extremely boring. But for companies installing computer networks the development of common standards will result in a greater choice of hardware and software and in cheaper products.

To help achieve that aim, the world's three largest open standards technical bodies have got together to pool their knowledge and come up with a set of common technical standards against which all equipment can be tested.

The three bodies, Cos of the US, Posi of Japan and Spag, which represents European computer manufacturers, have agreed to set up CPS-Forum to promote this standards harmonisation.

CPS-Forum will meet twice a year, and will collaborate on the development of test equipment for the standards, as well as the standards themselves.

The cream of the technology crop

FINDING information on the latest scientific and technological developments is no easy task.

For that reason Technical Insights, the New Jersey information and publishing company, has set up a database covering the most significant technical developments of the past 12 months.

The TechBase information is stored on a floppy disk and ordered into snippets, between 100 and 200 words long, describing each new development and its inventor.

There are three disks available. A general database covers developments in biotechnology, materials, optics and electronics, and costs $650 (£400) in the US and $690 overseas. In addition there are two specialised databases, the first handling information on materials and coatings, the second on advanced manufacturing and sensor technology.

Dictionary that likes to talk

FOR those who find spelling an uphill struggle, help could now be at hand.

A hand-held computer is on sale which not only checks spelling but pronounces the words out loud and gives you the meaning. The Language Master, from Franklin, of Florida, has more than 270,000 dictionary definitions and can pronounce 83,000 words.

To use the tool for checking a spelling, the approximate word is typed into the unit. It then offers a list of words which correspond most closely. If required, the Language Master can speak the word to ensure the correct pronunciation, or it can give a definition. In the UK version, sold by Venture Marketing of London, the American dictionary has been supplanted by an English one.

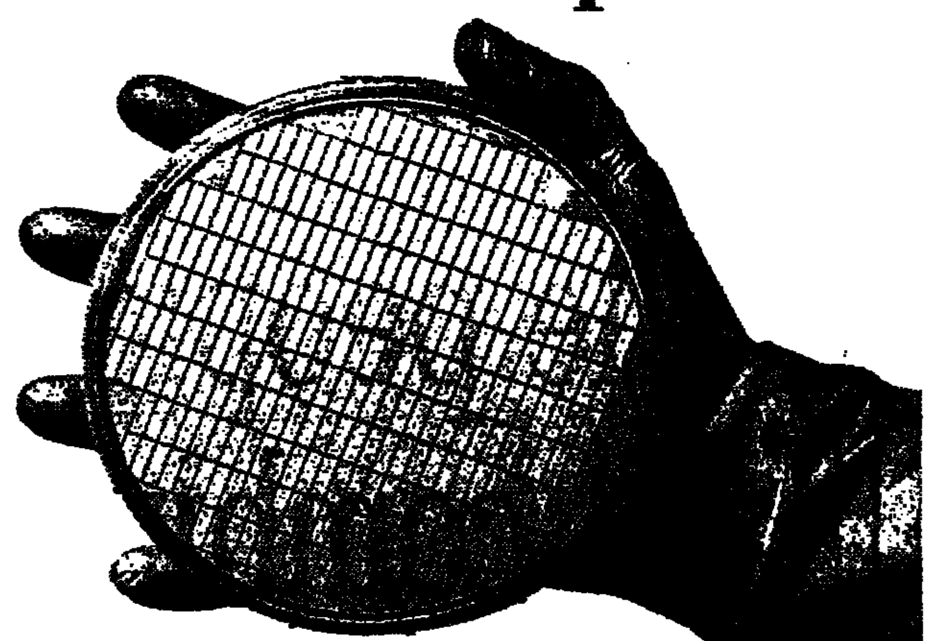
Alternately, the user can fill in the known letters of a word and the widget will produce all the words of that length with the letters in the given places — ideal for those who prefer a little help with their crossword puzzles.

Contacts: AFS: Canada, 403 282 1833. Compucab: London, 727 0379. Radio Data Systems: London, 542 1031. Abem: Sweden, 8 764 6060. Cos: US, 703 883 2755. Posi: Japan, 3 433 1941. Spag: Belgium, 2 535 0869. Technical Insights: US, 201 568 4744. Franklin: US, 212 486 5780. Venture Marketing: London, 240 8096.

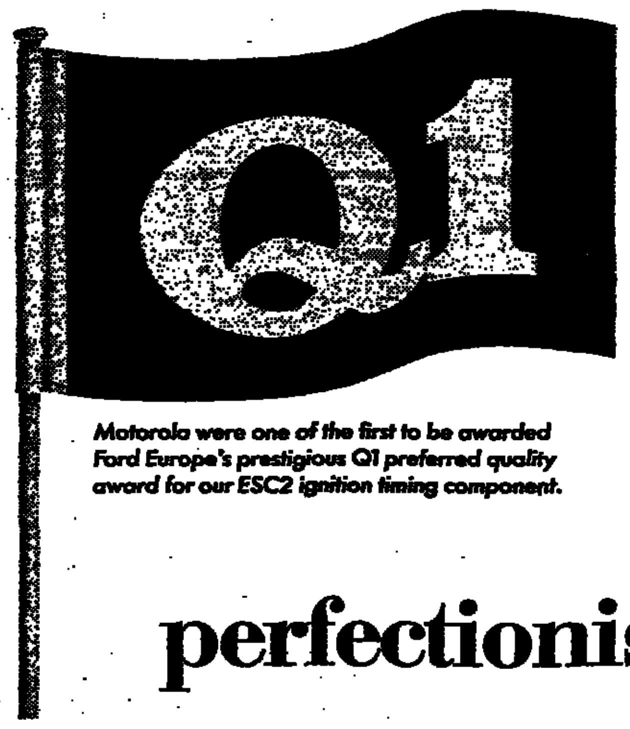
THE POWER OF BELIEF: #1 in a series

When you aim for perfection,
you discover it's a moving target.

Every advance in quality raises new expectations. The company that is satisfied with its progress will soon find its customers are not. It is this belief that has spurred Motorola to a 100-fold improvement in quality since 1981. ■ Our formula is a simple one: First, we banish complacency. Second, we set heroic goals that compel new thinking. Finally, we "raise the bar" as we near each goal, and set it out of reach all over again. ■ Today, Motorola's standard is Six Sigma quality, and we aim for only 3.4 defects per million pieces in all we do by 1992. Such standards are naturally appreciated by Rolls-Royce, the arch perfectionists, who have chosen us as their sole supplier of car phones. ■ Total customer satisfaction, our goal, is now on the horizon. We dare not rest in its pursuit.



For 20 years, we have been making semiconductors in East Kilbride. Today defects, once measured in parts per thousand, are now measured in parts per million. Our goal is Six Sigma quality.



Motorola were one of the first to be awarded Ford Europe's prestigious Q1 preferred quality award for our ESC2 ignition timing component.

Building On Beliefs

MOTOROLA

BUSINESS LAW

Costs of the United States ban on the Panama flag

By Struan Robertson

THE US has always been sensitive about flags, particularly its own, so it should come as little surprise that, having decided not to intervene directly in the recent Panamanian coup attempt, it now chooses the Panamanian flag as a means of indirect attack on the Noriega regime.

The proposed ban on the entry into US ports of Panamanian flag ships is intended to force a flight by the world's shipowners from the Panamanian flag, thereby cutting off a substantial source of direct revenue to the Panamanian Government. The revenue is the tax levied by the Panamanian Government on first registration and subsequent annual renewal as a Panamanian flag ship.

The White House also implies that to fly the Panamanian flag involves payment of millions of dollars in the form of bribes and kickbacks which find their way to the Noriega faction. The views and intentions expressed by the US Administration suggest that it may not be fully abreast of international shipping developments.

Every ship flies the flag of one state or another as a means of attaching a nationality to it. That nationality may give protection, as when oil tankers caught up in the Iran-Iraq war switched to the British flag to join convoys escorted by British warships in the Gulf. It also ensures the imposition of standards of safety and law and order on a ship.

The fundamental reason for the growth of flags of convenience was the high operating costs in the shipowner's own country, represented by union-controlled labour rates and a liability to domestic taxation. The move had little or nothing to do with escape from proper safety standards, because most established maritime nations and the flags of convenience adopted the same international standards.

The growth in flag-of-convenience tonnage has, over the last 20 years, assisted the development of a relatively new concept, namely, that the right of a ship to fly the flag of a state can be distinguished from the right of that ship to be registered in a particular state. This distinction could cause the US as severe a headache as the ban is likely to cause some shipowners.

Panamanian registered ships can suspend their Panamanian registry and, on a temporary basis, fly the flag of a number of alternative states, such as Cyprus, Vanuatu and the Bahamas. The concept, often termed "bareboat charter registry," because it usually involves a bareboat charter of the ship to a foreign entity, was given international recognition by the UN in 1986.

Imagine, therefore, the owner of a Panamanian registered ship facing a ban on US port entry. He contracts a bareboat charter to a Liberian associated company, fills out more forms and pays more fees. His right to fly the Panamanian flag is withdrawn and a temporary right to fly the Liberian flag is granted. Will the US extend its ban to the new Liberian flag ship?

Strictly speaking it should, if it is to give the new regulations credibility. After all, the Noriega regime is still collecting registration fees for that ship, despite the temporary withdrawal of the right for it to fly the Panamanian flag.

A little history may help to expose the dilemma the US faces. The Second World War left West Germany with a particular problem: it had a very small merchant fleet and little money with which to replace it. The 1951 German Law of the Flag Act enabled expropriated ships to be chartered back from abroad for operation under the flag of the Federal Republic.

The need to bareboat in tonnage in 1951 has been replaced by the desire to bareboat out, primarily to Panama and the Philippines. Hence the US could face the double embarrassment of a ban on German registered vessels which may be flying the Panamanian flag as well as a ban on Panamanian registered vessels which may be flying the German flag.

If the US has a potential problem, the international shipping community has an immediate one. One benefit of Panamanian registration has hitherto been that Panamanian nationality for the owner is not a pre-requisite. Following the 1988 amendment to the British Merchant Shipping Acts one can now even have a British-owned Panamanian ship.

There has so far been no indication that the ban will extend to ships that are owned by Panamanian corporations but registered and flagged elsewhere. Maybe the White House has noted that the Panamanian Government makes far less out of a Panamanian registered corporation than it does out of a Panamanian registered ship. The problem, therefore, is a change of flag or registry rather than a change of ownership.

If the shipowner decides to change registry rather than effect a sale of the ship, he is assisted by the competitiveness of the various flags of convenience.

In clear contemplation of the ban, the New York based Liberian registry has dramatically cut its initial registration fees and offered a number of other concessions to assist owners. It is likely to be a major beneficiary of any departure from the Panamanian registry.

If the change of registry can be implemented without too much difficulty, the owner still faces the problem of ensuring his crew's qualifications will satisfy his new registry. It is likely he will also need to restructure his finance: at the least, a new ship mortgage will be needed.

One reason for the growth of the bareboat charter registries has been the ability of ships to fly flags that considerably enhance their trading potential, whilst remaining owned and registered in territories where, one might say, the shipowner and his banker felt more comfortable.

Many Panamanian ships have, for this reason, found their way to the Philippines bareboat charter registry. Disregarding the latest attempted coup there, it will still not be easy for an owner to switch from a Panamanian-registered/Philippine-flagged vessel to, say, a Liberian-registered/Philippine-flagged vessel.

Employment may also be affected. Most charterparties nominate a specific flag to be flown. If the owner wished to change that flag, he would have to obtain the charterers' consent, something which would not necessarily be freely given.

Such changes would cause great trouble to many shipowners. Cost is another matter. There is an argument that where the ship is chartered, the charterer can only give the ship's master lawful orders. As it will be unlawful for a Panamanian flag ship to enter a US port the charterer cannot order it to do so. The problem then becomes the charterer's and, given that many ships that trade to the US are chartered by US corporations, the US Administration's actions may have a domestic cost approaching the revenues lost to the Noriega regime.

Undoubtedly the ban will be lifted at some stage, but not before a vast amount of money and time has been wasted by those whose connection with Panama is tenuous and whose interest in the war the White House is waging, minimal.

The shipping industry is highly vulnerable to damage caused by unilateral governmental action and shipowners will be considering carefully what steps to take to protect their own independence. They may come to the view that what is happening to Panamanian flag ships today would happen to other countries that fall out of favour with the US and who are not strong enough to retaliate. Obviously there is more to being independent than having a war, a debt and a flag.

The author is a partner of City solicitors Sinclair Roche & Temperley.

COMPANY NOTICES

LEGAL NOTICES

The Flying Dutchman

THE MET, NEW YORK

Everding's 1969 Bayreuth *Dutchman* was the first non-Wieland-or-Wolfgang production there since Hartmann's *Meistersinger* in 1951. He has now staged the *Dutchman* for the Met, as the season's third new production, in sets by Hans Schavernoch. In Act 1, a grey liner – represented only by her hull, towering up out of sight into the flies – is pushed on from the wings and stops just short of ramming a grey tramp steamer. A large Meccano ladder swings down from above and from it, not on land but precariously perched, the Dutchman delivers "Die Frist ist um." In Act 2, women sew sails by hand, with a few primitive sewing machines to *summ* and *brumm*, electric lights. (Details are realistic, but the period is vague; the liner's searchlight beams are powerful and modern.) Act 3 is like Act 1, with dockside replacing the tramp. There is a fine coup de théâtre when the huge hull becomes transparent, to reveal deck upon deck of cells imprisoning tortured souls. The ship finally disappears behind a giant swirl of snow flurries, white on black.

As in earlier Met productions (*Lohengrin* and *Khovanshchina*), Everding has avoided picturesqueness, attractiveness, and romance, and this seems a pity in Wagner's "romantic opera," which can still be theatrically exciting both in traditional and in "psychological" stagings. Senta unbecomingly mimed an orgasm, rubbing her thighs and twitching, during Erik's dream narration, but that was an isolated episode. The new show is not Senta's Dream (as so often it is), or the Steersman's Dream (as it was in the last Met production, by Ponnelle); but what exactly it *is* – beyond a large, stern, grey enactment of the legend (no "blood-red sails") – was unclear.

The individual enactments were stock, not striking. James Morris's Dutchman was grandly sung but lacked personality. Mechthild Gessendorf, the Senta, seemed sometimes a thoroughly worthy, reliable "house soprano," and sometimes a screamer. Gary Lakes – got up as bulky Tyrolean tourist – was miscast in the Italianate role of Erik. The piece was played without intervals but also without dramatic impetus. Words to describe James Levine's conducting are enthusiastic, heavy, noisy, slow (often), and perhaps vulgar. The brasses brayed out, the drums were banged, the strings were drowned, and so were the singers. Oh, Levine does have merits, it is true, but he makes no attempt to keep the orchestra down – quite the reverse. He never produces the kind of full but not overheated support that can encourage singers to sing the louder passages beautifully, rather than as competitors. More! more! is what he flails to his band. I would not have been surprised if in the final trio the singers had simply kept their mouths shut; only by forcing could they hope to be audible at all.

Things may get better. We always say this after Levine first nights – and sometimes they do. And on his Wagner records the horrid balance we heard in the house gets adjusted. But he conducted this *Dutchman* as if unaware that Eva Marton had long since withdrawn from the cast.

Andrew Porter

CINEMA

Go mad across Manhattan

Oliver is a cat, the Artful Dodger is a dog, London is New York. And that whirring sound you hear may be Charles Dickens revolving in his grave.

With the arrival of the all-singing, all-dancing, nearly-all-animal animated feature *Oliver And Company*, no further indignity can surely be visited on Dickens's novel of crime and orphanhood. Here is a 70-minute cartoon that has cats and dogs playing Fagin's gang, Bill Sykes transformed into a bloated racketeer putting the squeeze on the terrified Jew, and the voices of Bette Midler, Dom DeLuise and other comic heavyweights bunged in for good measure. But wait. Let us not wince prematurely. *Oliver And Company* proves surprisingly jolly. Vanquishing early fears of Disneyesque debasement or sentimentality – "Oliver" is introduced as a ginger kitten whose big round eyes threaten frequent irrigation – it skitters along from song to song, sketch to sketch, like the bouncing ball atop a follow-along lyric. Best production number of all: the Dodger's "I got street savoir faire," sung during a demented rampage across Manhattan. This is thoroughly good for you, and so is the sharp artwork throughout of the animators under director George Scribner.

In the cast the ace kleptomaniac is "Tito." Voiced by Cheech Marin, he is a tiny, insane, scene-stealing chihuahua. His Hispanic catch-phrases – "Hey, man, check eet o-u-t!" – and his yappy, stick-legged mobility are the ingredients for a star in the making. If Disney keep to their vow of making one animated feature a year (their latest, *The Little Mermaid*, is already out in America), Tito must – repeat, must – return.

★

In the cinema, Christmas 1989 has clearly been designated "Go mad across Manhattan" season. In *The Dream Team*, four mental-home patients (Michael Keaton, Peter Boyle, Christopher Lloyd, Stephen Furst) cut loose from their supervisor during a trip into town. They have merry adventures. Then they have more merry adventures. They seem unable to stop having merry adventures, even though the audience is looking at its collective watch wondering how much more merriment it can take.

Written by Jon Connoly and David Loucka and directed by Howard Zieff (*Hollywood Cowboy*), the movie is strangely unfunny and in bad taste to boot. Poking fun at the mentally disturbed – "Ah, it's great to be young and insane!" breathes Keaton, as the foursome hit the streets – is not the most advanced form of behaviour. Nor is it a bottomless source of humour. Once each character's comic visiting card has been pushed down our throats – Boyle is a religious zealot, Lloyd is a tidiness freak and so on – we sit trapped in our seats, knowing we are in for 90 minutes of mocking the afflicted.

The movie's belated moral, that the group's encounter with reality restores their sanity, merely adds a bogus insight to bona-fide injury. Next stop, no doubt, "Dream Team 2: Four Paraplegics Have Fun In Frisco."

★

Jean-Jacques Beineix's *Roselyne Et Les Lions* is a lush French folly from the director of *Diva*. An hour into this tale of a boy and girl (Isabelle Pasco and Gerard Sandoz) who want to be lion-tamers, and whose precocious skills get them into a crack international circus based in Munich (one German co-production money for movie), we yield to its crazy charm. Small pools of sweat form on our hands whenever the lions threaten to run amok. (Frequently.) Small pools of pleasure form in our eyes whenever Beineix takes a film already over the top into the higher reaches of melodrama.

OLIVER AND COMPANY
George Scribner

DREAM TEAM
Howard Zieff

ROSELYNE ET LES LIONS
Jean-Jacques Beineix

We *especially* enjoy the whiskered, Bavarian-trousered circus boss peering down from his picture-windowed eyrie above the training arena. (We soon realise he is the villain and hiss him.) And we crow with pleasure and incredulity at a climax involving – all in the same cage – a semi-nude heroine, a figure of Death, three ravening lions and lashings of studio mist.

Now that Beineix has been released from his role as the white hope of French art cinema, a role inexplicably conferred on him by some critics after the opulently vapid *Diva*, he may come to be French cinema's most rousing teller of tall stories. This one is certainly tall, and tolerably rousing as well.

★

Bookshops offer a frightening spectacle at Christmas-time. The entire sum of human knowledge appears to have fallen off the back of a lorry and been gift-wrapped for sale. What should you, a film fan, buy your friends and family? Or indeed yourself?

Depending on the strength of your coffee-table, you should consider four blockbuster volumes. *The Art Of Gone With The Wind* (W.H.Allen, £17.95) is scholarship-with-pictures by Judy Cameron and Paul J. Christman: the genesis of the world's best-loved movie, full of memories and memorabilia, plus the odd well-preserved prank. I especially liked the fully-costumed production still of a "dying" Olivia de Havilland lying in bed reading *Gone With The Wind* (the book) while Vivien Leigh mops her brow.

Hollywood 50 Great Years (Prion, £19,95) is 550 pages of Tinseltown history, noting every major movie along the way. Lively illustrations; jaunty text by five writers; but a general sense of "Surely we have been here before?" Better and more businesslike is *The Time Out Film Guide* (Longman, £10.95): a "directory" of 9000 films culled from 20 years of reviewing by the London listings magazine. Excellent for reference, though once again the book jostles for favour in an increasingly crowded market.

Clive Hirschhorn's *The Columbia Story* (Pyramid, £19.95) escorts us through 65 years of the studio run by the lady with the torch. (Only Hollywood could create a goddess half way between the Statue of Liberty and a theatre usherette.) Here are 400 pages packed with information, erudition and illustration. But be warned, if you are austerity-shy: the pictures are all in black and white.

After facts, gossip. No Christmas is complete without scandalmongering, and we shall not stand in your way if you rush out to buy Shaum Considine's *Bette And Joan: The Divine Feud* (Muller, £16.95) or David Stenn's *Clara Bow: Runnin' Wild* (Ebury Press, £16.95). The first chronicles a history of spats and bitcheries involving two of Hollywood's grandest dames. The second presents the silent star Miss Bow, alias the "It" girl, as a sexual delinquent who played musical beds with almost every man in Hollywood. Poor Miss Bow: she is no longer alive to say nay. She can only succumb to yet another kiss and tell biography, in which the subject kisses and the author (a safe period after her death) tells.

Falling from a gentler height into the ocean of gossip are two more deep-sea divas. Margaret Lockwood in Hilton Tims' *Once A Wicked Lady* (Virgin, £12.95) and Rita Hayworth in Barbara Leaming's *If This Was Happiness* (Weidenfeld & Nicolson, £14.95) are both examined with a mixture of sympathy and scholarship. If Hayworth's life was the more dramatic – from Hollywood's suavest sex symbol she became Alzheimer's saddest victim – Lockwood plays the "enigmatic" card to effect. We know this star of *The Lady Vanishes* and *The Wicked Lady* scarcely better at book's end than at its beginning. But it is a measure of her carefully husbanded magnetism that we are still curious.

Finally, outnumbered but unbowed, two serious-minded books on foreign cinema. Maya Turovskaya's *Tarkovsky* (Faber, £12.99) lays the great Russian director's films on the operating table and skilfully dissects. Required reading for any admirer of *Andrei Roublev*, *Mirror* and *Stalker*. And Thomas Elsaesser's *New German Cinema* (BFI/Macmillan) is the definitive account of a film movement that gave us Fassbinder, Herzog and Wenders: a movement that grew out of country whose cinema had died with Hitler and for a quarter-century had shown no signs of revival. It revived, spectacularly. And Elsaesser's book revives the revival.

Nigel Andrews

Alex Jennings, Christine Kavanagh and Julie Peasgood

The Liar

OLD VIC

Jonathan Miller is back in business with this beautiful production of Corneille's *Le Menteur* (1643) in a new translation by Ranjit Bolt.

The play itself, though academically revered as a prequel to classic French comedy – Molière said that he could not have written *Le Misanthrope* without this example – and almost as well known in French classrooms as *Le Cid*, is a real surprise, a comedy of insolent insinuation by a young provincial lawyer, Dorante, determined to make his mark in the new Paris.

Itself derived from a Spanish comedy of deception, *La Verdad Sospechosa* by Alarcón, *Le Menteur* has its own special freshness in the picture it paints of a volatile social scene invaded by an ambitious figure of energy and resource. There is no sense of the habitual social strategies that characterise Molière, and the idea of new frontiers and a fresh start is given dramatic dimension in Dorante's flights of fantasy by which people form their wrong impressions.

The other great thing is that, in improvising retrospectively his spectacular night of feast and fireworks, or the farcical bedroom antics which led to bedding a girl back home in Poitiers, Dorante is constrained by the double requirement of inventing a story and making it scan.

Alex Jennings does this quite brilliantly, allowing his self-inflicted inbroglio to prosper as one not just of lying, but of a great doggerel jam session.

Ranjit Bolt follows the usual English practice of forgetting about the measured rhythmical alexandrines of Corneille, which roll in like foam-topped waves, adopting the convention of the light, flexible decasyllabic line. As a text, you cannot begin to compare it with the work of an experienced poet like Tony Harrison; the scansion is often only redeemed in performance, the rhymes haphazard, the really good laughs a little scarce. But it does zip along and conveys the meaning of the play admirably.

Jennings's would-be cavalier sets out with idle intentions of womanising in the Tuileries and ends up stuck in a double-dating mix-up with the simpering Lucrece (Julie Peasgood) and her friend, the more calculating Clarice (Christine Kavanagh), whose incensed fiancé Alcippe (Simon Dormandy) stomps asininely around and challenges Dorante to a duel, which Alcippe loses in spite of all his ludicrous warm-ups. Jennings's Dorante is by this time running on luck, fuelled merely by confidence and the casual manner in which he conveys this devious supremacy is a comic treat of the first order.

The awakening face of a great public city, where the gentle grey 17th century costumes by Sue Willmington blend with the auditorium's own colour scheme, is also something of a dreamscape. Peter J Davison's design employs the geometric symmetries of a De Chirico courtyard, one arch still tilting towards completion, supported by a canvas flat.

The colonnade of the Place Royale is also suggested, and the light (designed by Paul Pyant) changes from a mid-day heat-haze to a crepuscular glow for the night-time wooing. The stage looks lovely, but never precious; The mood is light and supple, like the play.

A fine Miller innovation is the wonderful playing by Desmond Barrit of Dorante's incredulous valet as a blubbery Welshman, a trembling Leporello who saves his master's skin while really wanting to flay it; the flat surface of the play is here given a really funny and dynamic resonance.

Michael Coveney

Thomas Hampson at the Wigmore

The Gods of Lieder-singing clearly vied with each other to shower gifts on Thomas Hampson: he is profusely supplied with both the essential ones (beautiful, freely produced lyric-baritone voice of wide compass and dynamic range, intelligence, dramatic instinct), and the non-essential but very useful ones (noble physique, height, good looks).

Considering all this, one may reasonably feel disappointed at the negative effect of his latest London recital. It was devoted entirely to Lieder – Schumann, Wolf, Mahler. It sat easily on the voice. It was delivered in Mr Hampson's excellently fluent, flexible German. And for most of its course very little *happened*: one sat listening to one competently shaped song after another, and waiting – largely in vain – for a "personal" mark from the singer, a note of identifying involvement, a drop of interpretative blood.

He sang everything from the score – and, as ever, this posed a small but psychologically significant barrier between performer and audience. In the Schumann group, and in the less familiar items of the Wolf, one wondered whether this could fairly be taken to suggest that Mr Hampson had conned them only recently. He was never exactly at a loss, or a loose end; but in particular Schumann's "Märzveilchen" and "Muttertraum" hinted at a kind of superior singer's-auto-pilot, with gestures and details on loan from the International Bank of Lieder-Interpretation.

Much of the Wolf felt and sounded the same way: though the voice handled the intricacies and tapered phrase-shapes of "Phänomen" and "Ganymed" with notable aplomb, the Wolf spark was simply absent. It was no help that the pianist, Geoffrey Parsons, was on unusually clumsy form, heavy-fingered and erratic in fast figuration; fortunately his poise was recovered in time for Mahler. In this section of the programme likewise Mr Hampson's free, lyrical delivery brought greater rewards – his selection of Rückert songs closed with three of Mahler's slowest and most intensely felt creations, which successfully challenged him to show a keener involvement with musical sense as well as sound.

But suddenly, in two encores – Meyerbeer's "Komm du schönes Fischermädchen" and Schumann's "Stille Tränen" – the floodgates of involvement opened. The voice poured out in passionate freedom, and Mr Hampson became at last the superb young Lieder-baritone he ought to have been a good deal earlier in the evening.

Max Loppert

Candide

BARBICAN HALL

Ten years ago, Bernstein's *Candide* used to be talked of like buried treasure. In the 1980s, it has been brought back to the light. Surely always a prime candidate for crossover treatment, it received a concert performance on Tuesday night by a stellar cast.

The composer conducted the London Symphony Orchestra and Chorus. Jerry Hadley was Candide, and four others of the cast were very big stars whose paths cannot often cross – June Anderson (Cunégonde); Christa Ludwig (Old Lady), Nicolai Gedda (in the three roles of Governor, Vanderdendur and Ragotski) and Adolph Green (Pangloss and Martin). Kurt Ollmann was Maximilian and Captain, Della Jones was Paquette. Name-dropping is half the fun of crossover.

Another valuable ingredient is having a special text of the work. This concert version employs a narrative prepared by Bernstein and John Wells and reinstates a chorale omitted since the Lillian Hellman 1956 original. "This and the rearrangement of numbers in Act 2," says Meirion Bowen's programme note, "were aimed at serving Bernstein's intention in bringing the work back as close to Voltaire as possible."

Was it then also in pursuit of Voltairean spirit that the composer-conductor sang, danced and stamped along on the podium? No, this was just Lennie, the great showman. He also turned and spoke to the audience before (at length), during and after the show. By turn, his words (a) invoked the Age of Enlightenment (b) poked fun at his work (c) discussed it as a measured response to Mcarthyism (d) informed us that everyone concerned had been bravely weathering flu (e) told us we'd been marvellous. The performance which the audience greeted with a standing ovation, was being video taped for future release. I enjoyed much about it and could already imagine twiddling a few knobs to enjoy it more.

Hadley was a personable, steady Candide, expressively negotiating a post-'flu frog. Gedda and Green, veterans who both could have sung in the 1956 première, gave game performances of opposite types – Gedda the elegant high-art man who sings down to his material as charmingly as he can, Green the old all-rounder who sings up to his material as best as Anno Domini and technique will permit. June Anderson's Cunégonde was coyly brilliant. "Glitter and be gay" brought the house down. Her heavy scoops up into notes, alas, do much to diminish my pleasure in her.

And there was Christa Ludwig (I would twiddle knobs to catch every bit of her). *Candide* became more lovable just when watching her listen to it, her pleasure evident. Her flair in pointing words, her rich voice, her zest and relish – these merits are an object-lessen in crossover's possible gains. Real class.

This is a wonderful score. It is virtually post-modern in its abundance of historical references and its easy modernity; and it's undeniably catchy. The archness with which the work tells its tale of innocence abroad, however, often palls. Bernstein wantsto be virtuoso and simple, to eat his cake and ice it. And then he gives us "What's the Use," "Make Our Garden Grow," or half-a-dozen other numbers and, glory be, he brings it off.

Alastair Macaulay

Neil Young

HAMMERSMITH ODEON

Welcome back, old hippy. The wheel has turned full circle and somehow the long haired guy cradling the guitar like a last whisky and blowing heavily into his harp as he lurches around the stage looks like an original. Even the old blue jeans, with gaping holes at the knee caps, and the battered leather jacket, are somehow the last word.

Neil Young started out as a Dylan clone in Toronto well over 20 years ago. Nothing has changed except that, unlike Dylan, he keeps his bile on the boil, belting out with an amplified acoustic guitar more sound and fury than most electronic bands in his tirades against political injustice, commercialism, and the ills of the world.

Unfortunately if Young is little changed so is the world. He dedicates "Ohio," about the Kent University shootings in 1970 with its poignant chorus "four dead in O-hi-o," to the Chinese students who defied the tanks in Tiananmen Square. As a constantly working survivor, with over 20 albums released, with little regard to fashion, Young can be scathing about the business: he sends up artists who take the dollar of Coke and Pepsi to boost their incomes in the mordant "This note's for you."

It is perhaps a touch too "alternative," this 44 year old being loudly uninhibited on a vast Odeon stage, his roadies and the occasional backing musicians – "that's Poncho from Crazy Horse" – standing in the shadows till needed. Young darts from piano to guitar, glorying in banter with a packed auditorium. "Speak up, punk" he shouts at the inevitable bore constantly crying "rock 'n' roll;" "Still flat," he growls at his guitar: "I've been flat for 25 years." In fact he has kept fizzing, and as his voice has deepened and his individualism honed, so Young has matured into a powerful, persuasive, performer, a giant of the music.

Antony Thorncroft

ARTS GUIDE

December 8-14

EXHIBITIONS

London

The Hayward Gallery. The Other Story – an intriguing but uneven survey of the work in Britain since the war of artists drawn from cultures other than that of the western European tradition – weak in its socio-political and historical analysis but often strong in the individual work. Daily until February 4, except bank holidays.
The Barbican. A Golden Age – Art and Society in Hungary 1896-1914: in the light of the current ferment in Eastern Europe, with Hungary very much in the van; it is salutary to be reminded just how active she was in the European cultural commonwealth. Daily until January 14 except December 24 and 25.
National Portrait Gallery. Lewis Morley – Photographer of the Sixties: a study of the work a photographer now all but forgotten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous of all. Until Jan 7.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. 107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.
Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from Vienna-inspired symbolism to non-figurative canvases where glorious colours acquire a life of their own. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).
The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

Brussels

Europalia Japan 89:
Musées Royaux d'Art et d'Histoire. Nambam Art explores the Portuguese influence on Japanese painting and the Splendour of No Theatre shows props and costumes from the Rokuro Umewaka Collection. Closed Mon. Ends Dec 17.
Musée d'art Moderne Place Royale. Takeo Yamaguchi and Yoshishige Saito, an exhibition of abstract art in Japan. Closed Monday, ends Dec 17.

Antwerp

Hessenhuis. 53 Falconrui. Japanese posters by 12 graphic designers. Closed Monday, ends Dec 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Caixa de Barcelona. Raoul Dufy. Works by the French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private collections and museums. Ends 15 Dec.

Hanover

Sprengel Museum, Kurt-Schwitters-Platz. Der blaue Reiter (The Blue Horse). This museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged to the same Munich-based group. Until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11.

Munich

Städtische Galerie im Lehmbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff to date with almost 370 works. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group.

Vienna

for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.
Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Tokyo

Idemitsu Museum. Flowers of Edo. Paintings and prints of flowers from the Edo Period represent a new flowering in Japanese art, influenced by new trends in the decorative arts of China and by the botanical illustrations of Europe. Closed Mondays.
Teien Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naif, but in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals.

SALEROOM

Despite the gloomy rumours from retail art dealers the wholesale market for Victorian pictures seems strong, judging by Sotheby's sale yesterday which totalled £1.2m with under 8 per cent unsold. These were mainstream, pictures, but European, American and Japanese bidding, added to local demand, kept prices way ahead of estimate.

Top price was the £62,700 paid for "Village Politicians" by William Shayer Snr, a scene of rustics disputing outside an inn, painted in 1897. It set a record for Shayer and more than doubled its top estimate. "Glasgow," a typical twilight scene by Atkinson Grimshaw made £44,000, and an equally typical hunting scene by Heywood Hardy doubled its forecast at £41,800. A pair of farmyard paintings of fowl by Edgar Hunt also doubled forecast at £40,700.

Sotheby's held its best ever sale of Berlin plaques, mainly mid-19th century paintings in porcelain of picturesque women, totalled £741,620, with less than 10 per cent unsold.

Antony Thorncroft

FINANCIAL TIMES
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Post-Reithian broadcasting

IN BRITAIN, the average person watches television for 25¼ hours a week. This is equivalent to roughly 60 per cent of the estimated leisure time of the average employed adult. Like it or not, television plays a very significant role in national life. It moulds attitudes and influences the way people live. The reforms set out in the Broadcasting Bill thus constitute some of the most important legislation to be presented to Parliament in recent years.

In the past, relatively high standards have been achieved by limited competition between two tightly-regulated monopolies – the BBC, funded by the licence fee, and ITV, funded by advertising. The fact that each half of the "comfortable duopoly" had access to a secure revenue stream encouraged programme makers to compete on quality; there were, however, few incentives for efficiency. Such a regime could not be expected to endure indefinitely: technological change – the arrival of satellite and cable TV and the possibility of more terrestrial channels – would have forced broadcasting reforms even if these were not considered desirable for political reasons.

Under the Government's proposals, BBC1 and BBC2 will remain heavily regulated providers of public service broadcasting while Channel 3 (formerly ITV) and Channel 5 (the new terrestrial channel) will join satellite and cable TV in an expanded commercial sector subject to "light-touch" regulation by the new Independent Television Corporation. Channel 4, which will be non-profit-making, will hover somewhere between the two sectors, retaining its remit to produce minority-interest programmes but having to compete for advertising revenue. In practice, this form of funding may constrain its ability to fulfil its public service obligations.

Ill-defined threshold

The biggest source of controversy is the proposed auctioning of Channel 3 and 5 licences. Under present plans, applicants will have to meet an ill-defined quality threshold, which is likely to prove much less onerous than the present programming requirements imposed on ITV companies. Once past this hurdle, the franchises will be awarded to the companies offering the highest cash bid. In theory, the ITC will be able to impose financial penalties on franchise-holders who renege on quality commitments.

The Government argues that a competitive tender provides a transparent, fair and cost-effective means of allocating a scarce resource. The procedure will certainly maximise the Treasury's receipts from broadcasting; the question is whether it will serve the best interests of viewers. The problem is that in commercial television there is no contract between programme makers and viewers, but rather a contract between franchise-holders and advertisers. Commercial TV sells audiences to advertisers rather than programmes to viewers. The auction will ensure that the companies likely to sell audiences most efficiently will gain the franchises. But these are not likely to be companies interested in producing a diverse range of challenging programmes.

Does not exist

One response is to argue that this does not matter: the BBC and Channel 4, after all, will provide quality broadcasting. But the Government should recognise that the economic turnover of commercial TV (which is roughly equivalent to that of Britain's 74th largest company) falls far short of its overall value to viewers. It thus makes no sense to lay greater emphasis on the maximisation of Treasury receipts than on the promotion of quality.

Ministers are wrongly behaving as though a broadcasting market responsive to individual preferences already exists. It does not. For the forseeable future, the quality of broadcasting will be greatly influenced by the necessarily subjective decisions of regulators. In the interests of transparancy, bids for Channel 3 and 5 licences should be published. But the ITC should not be obliged to accept the highest bid provided it explains the reasoning behind its decision. Competitive tendering is a useful exercise, but it is normal to strike a balance between cost and quality. This precedent should be followed in broadcasting.

Rallying the institutions

FOR THOSE WHO believe in liberal economics the Anglo-Saxon capital markets have always been something of an irritation. On the face of it, their apparent efficiency ought to provide a model for countries with less well developed financial systems. Yet the performance of the industrialised countries in the post-war world suggests little or no correlation between financial sophistication and economic growth. Nor would anyone claim that the British capital markets, with their excessive reliance on takeovers, have been conspicuously successful in helping to arrest the decline of older industries.

No doubt the alternative systems of West Germany and Japan have much to commend them. But few believe that they can be readily transplanted. Hence the attempt to find ways of making the existing British approach work better. A discussion paper from the Bank of England, which advocates a more active role for institutional shareholders, falls into this category.

Since it was first mooted in the early 1970s, the case for institutional intervention to ginger up poor industrial management has, if anything, increased. Ownership has become even further concentrated in the hands of insurance companies and pension funds and the growing practice of indexation has also had the side-effect of forcing institutions into longer-term holdings while rendering three-monthly investment performance figures redundant.

Legal duties

The author of the Bank of England's paper, Mr Jonathan Charkham, argues that a more informed dialogue between institutions and companies is in the institutions' own interest. Collective influence could, he believes, be brought to bear more rapidly and the boards of major companies should be required to have a minimum proportion of independent directors with the same legal duties as executive directors.

All sensible enough. But whether such measures would be sufficient is another matter. Non-executive directors tend all too often to be friendly to incumbent management and the institutions' list of trusted trouble-shooters is all too short. The merchant banks, who control a large chunk of pension fund money, have a greater incentive to market their services through short-term performance figures than by gingering up present or potential corporate finance clients in industry.

Perhaps the chain of accountability could be made more effective through more disclosure of directors' ages and qualifications. And responsible gingering could be encouraged by minor extensions of the role accorded to shareholders by the Companies Acts. A case could be made, for example, for allowing a shareholder who starts a proxy battle to recoup his costs from the company where he is supported by a majority of shareholders at a meeting.

Conflict of interest

That is not to say that Mr Charkham is short of constructive ideas, especially in relation to the one new feature of the financial system which draws the interests of shareholder and manager back together: the management buy-out. In a perceptive analysis of the conflict of interest inherent in buy-outs the paper rightly points out that shareholders, unlike a target company management in a hostile takeover, are caught without warning and without a plan. The people they have relied on, including the company's advisers, have changed sides and enjoy an unfair information advantage.

The paper argues plausibly that the Takeover Panel should give shareholders more time to marshal information and find alternative buyers. It also suggests setting up an *ad hoc* body consisting of non-executive directors and professional advisers expressly to advise shareholders at the company's expense on any given management buy-out. Both ideas bear thinking about in the light of the uncanny knack demonstrated by incumbent managements for buying their companies at bargain prices.

ECONOMIC VIEWPOINT

Bogey of the basic balance

By Samuel Brittan

I have just been reading the highly engaging Memoirs of Reginald Maudling (Sidgwick and Jackson, 1978), who was Chancellor of the Exchequer from 1962-64. Like Nigel Lawson in 1983-89, he made, as he put it, a bid to secure "expansion without inflation, the end of stop-go and a break-out from the constrictions of the past."

They had much else in common (as well as many differences). Both achieved distinction as philosophy specialists at Oxford. But because of a laid-back manner and apparent enjoyment of the good things of life, their industriousness was sometimes underestimated. Neither bothered to build up a personal following.

Like Lawson after him, Maudling was the victim of abysmal Treasury forecasts. The one he received before his 1964 Budget did not predict any current deficit at all. Subsequently the forecasts deteriorated "although always behind what in fact happened."

Maudling planned to cover the current balance of payments deficit from overseas credit. Unfortunately the incoming Wilson ministers in 1964 "immediately declared the situation disastrous. Thereby they magnified Britain's difficulties and virtually ruined the prospects of the policy of expansion without inflation on which we were set. A great opportunity had been destroyed by Labour's loss of nerve," which did not return for many years.

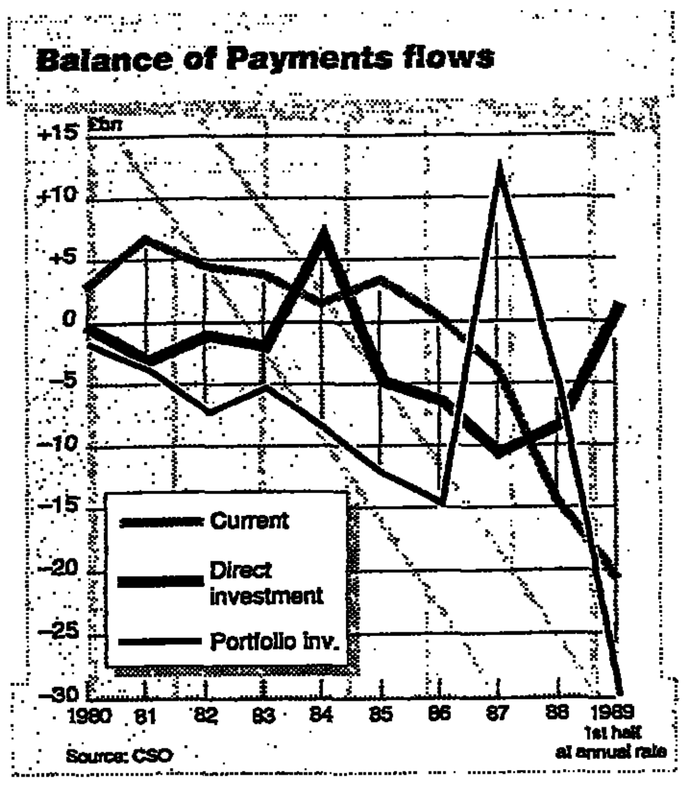
We have not had a change of government. But we have had a change to a more conventional Chancellor who makes speeches about import substitution. We also have a Labour Opposition which is going to town on the very balance of payments, which it would inherit if it came to office.

I recall ancient history because the figure which was thrown at Maudling's head by the incoming Wilson Government was the so-called £800m payments deficit. The current deficit was in fact £400m. But to maximise the political impact, the Labour Government added in the long-term capital outflow to arrive at the famous headline total for the so-called basic deficit.

This old and tired concept has now been revived by an article in the November NIESR Review. The author adds the estimated current deficit for 1989 of just over £20bn to its guess for the outflow on net direct investment and portfolio account to proclaim a basic deficit of £50bn for 1989. The figure has been blissfully seized upon by commentators who should know better.

The whole concept is a bogus one. Like so many of the world's imbalances it exists mainly in the minds of those who talk about it. Nevertheless the NIESR article is not as hysterical as the alarmists who have seized upon it. It sees the so-called basic balance falling back to just over £30bn next year and to £14bn, or 2 per cent of gross domestic product, in the early 1990s – easily financeable in today's capital markets, given confidence.

But there is no need to take refuge in reassuring crystal gazing. For the whole idea that the capital account can be split into short and long-term flows – or sustainable and hot money items – is outmoded.



For most assets are highly liquid in today's liberalised international capital markets. Neither official statisticians nor Treasury officials believe that such a distinction can be made on the basis of official figures.

Particularly absurd is the dividing line – still used by those who estimate the basic balance – between portfolio movements, which they count, amazingly, as long-term, and bank lending flows which are treated as highly volatile. But portfolio flows are even more so, shifting for instance from a net outflow of £15bn in 1986 to an inflow of £13bn in 1987, nearly all of which occurred after the Wall Street crash. There was a resumed outflow of £5bn in 1988 and a much larger outflow of nearly £30bn per annum so far in 1989.

It is on this last estimate that the shock horror stories about the basic balance are based. (Fresh estimates for the third quarter will be available in the balance of payments statistics due today). The portfolio outflow reflects renewed desire to diversify by investment managers worried by UK political and economic prospects. The NIESR, to do it justice, regards the present spectacular portfolio outflow as a flash in the pan and sees a return to a net inflow by 1991.

The most long-term or structural capital flows are probably direct investment. Here the trend has been encouraging. There has been a net direct investment inflow for the first time since 1977, now running at nearly £1bn per annum. The most sharply rising component has been Japanese because of the UK's attraction as a base for European Community markets. Moreover the indirect effect of Japanese investment on UK profitability and equity prices may also be helpful in turning round the portfolio account in the 1990s.

But it does not do to exaggerate the stability even of direct investment. One reason is the varying incidence of cross-border takeover bids and mergers. The truth is that sudden large capital movements are always possible, irrespective of the current or so-called long-term capital balance.

The idea that the capital account can be split into hot money and long-term flows is outmoded

Let me try to summarise:

1. The traditional idea of a basic balance which treats inward portfolio movements as durable long-term investment and banking flows as hot money is absurd.
2. The distinction has, in any case, lost nearly all real world validity in today's highly liquid capital markets.
3. The UK current account deficit partly reflects an excessive and inflationary growth of domestic demand which has to be tackled in its own right.
4. But it also reflects a rise in investment, which will yield a return to cover the servicing cost and can legitimately be financed from abroad (see Economic Viewpoint, Nov 23). Domestic saving, taking into account the corporate and government as well as the personal sector, has hardly fallen.
5. The above proposition cannot be checked by a fruitless attempt to distinguish between imports of consumer and capital goods. (The key changes are in any case often in the intermediate category.) The clue is in the admittedly fallible national accounts estimates for savings and investment.
6. Even if there turns out to be a residual current account deficit reflecting borrowing for private consumption, this is still not a problem for government. The crucial distinction between a deficit reflecting government borrowing and one generated in the private sector, is that the private sector does not have the option of bailing itself out by devaluation and inflation and has eventually to meet a budget constraint.
7. Devaluation has been of little practical help in adjustment because it has led to higher inflation rather than increased competitiveness. In other words it has been nominal rather than real.
8. In principle governments can attempt to use fiscal policy (for example higher taxes) to increase savings and thereby improve the current balance. But such attempts often misfire as the private sector takes offsetting action. Even if they worked they would be misguided. For governments and their economic advisers are no better than private citizens at deciding between present and future consumption (which is what the savings decision is).
9. The main difference between private sector borrowing across the exchanges and borrowing between different regions of a single country is of course the exchange risk. Sentiment about particular countries or currencies is liable to sudden change – very often for reasons which have little to do with either the current account or the basic balance. However important, this is a difference of degree rather than of kind.
10. Maudling would have liked freedom from the balance of payments constraint through a floating exchange rate, and Lawson through managed rates. But full freedom will come only from carrying managed rates to their logical conclusion of rates which are so firmly fixed that we have a *de facto* international currency, first in the European Community (including the whole of Germany) and then in the wider industrialised world taking in Japan and the US.

BOOK REVIEW

Vive la différence

STRATEGIES FOR NEW TECHNOLOGY: Case Studies from Britain and France
By Margaret Sharp & Peter Holmes
Philip Allan, £30.00

Two popular images of industrial policy on either side of the Channel have grown up during the 1980s.

The British one is of an aggressively non-interventionist Thatcher Government exposing private and public sectors alike to bracing competition. The received wisdom about France is that, despite a reduction in government meddling, discreet but purposeful *dirigisme* lives on.

Both images contain elements of truth. However, as this collection of comparative studies – mostly by academics at the Sussex Science Policy Research Unit – makes clear, they are also misleading.

The book challenges the widespread view that the French government machine is particularly well-equipped to take business decisions. Its civil service élite is not trained in practical management or technical skills, and is beset by inter-departmental rivalry.

The authors may go too far in asserting that Whitehall is better structured for efficient intervention. But they are right to point out that the influence of state planners over some leading French industries has been exaggerated.

An extensive reorganisation of telecommunications manufacturing in the mid-1980s was sneaked through by the heads of nationalised companies, without consulting their government masters. By contrast, the Thatcher Government had fewer scruples than its Labour predecessor about intervening directly to shake up the unwieldy structure of Britain's System X telephone exchange programme.

The book also suggests the Thatcher administration succumbs more readily than the French Government to special pleading by big business. Regulation of Britain's pharmaceutical and food sectors is portrayed as a cosy affair dominated by producer interests, while France's tougher régime has brought consumers better value and higher safety standards.

The authors do not question whether public support for industry is right in principle. Indeed, they view it as essential to the early development of new technology businesses. They blame its failures mainly on poor organisation, inadequate commitment or internal policy contradictions.

Thus, France's mobilisation of resources behind a clear national strategy for biotechnology is contrasted with the half-hearted dithering and woolly objectives which characterised the UK approach.

However, France's efforts were also launched at the height of its short-lived experiment with command economy policies in the early 1980s, since when its appetite for costly intervention has dwindled. Indeed, the book suggests French authorities "have caught the British disease of self-doubt and may live to regret their new unwillingness to take on the long-term risks."

An interesting chapter comparing Scotland's Silicon Glen with Grenoble argues that the former has failed to generate entrepreneurial spin-offs because it is peopled largely by foreign multinational companies which use it for mass-production, not product innovation.

Grenoble, with its greater wealth of universities and government laboratories, stood a better chance. But its hopes were dashed by government decisions to direct new investments to poorer regions and to change the semiconductor strategy of Thomson, which had underpinned local high-tech industries.

The authors say there is little measurable difference between the performance of British and French technology industries. In other words, different responses have produced a similar clutch of mixed results. This judgment would, however, be more conclusive if they had covered a wider range of sectors: aerospace, computing, nuclear energy and chemicals are all missing from the book.

The book's central message, though, is that purely national industrial policies are a thing of the past in Europe. Technology, international competition and market integration, it argues, are all conspiring to constrain governments' autonomy and elevate policy decisions to the European Community level.

This conclusion may be premature: reactions to 1992 in several countries still seem tinged by "national champion" psychology. But if the authors are right about the general trend, problems may lie ahead. In consumer electronics, already a trans-European industry, the book finds the EC Commission hopelessly split over whether to expose producers to keener competition or to yield to their demands for trade protection.

The authors have no doubt about which approach should be taken. While some limited form of EC industrial intervention may be justified, in their view the benefits of a single market will be realised only if its frontiers are kept open. That is still a point on which Britain and France continue to respect the tradition of *vive la différence*.

Guy de Jonquières

OBSERVER

UN model in London

■ C P Srivastava, the Indian who is retiring after 15 years as Secretary-General of the International Maritime Organisation, is full of praise for Britain as he goes. He says he thinks it was an inspired notion of the UN to site the agency in London.

Initially suspicious of the motives of the traditional maritime countries, Srivastava has come to believe that the British habit of compromise, which he calls "pragmatic idealism," has been a key factor in the consensus on marine safety and pollution issues built up by the IMO during his term of office.

He is also very complimentary about the munificence of successive British governments since the organisation was founded 30 years ago. The IMO's headquarters on the Albert Embankment are among the best of any UN agency, he says.

Srivastava is proud of the expansion of the agency under his guidance to 133 countries, representing 98 per cent of the world's shipping tonnage, and including many countries without a coastline, such as Hungary and Switzerland.

But his greatest interest remains the World Maritime University, set up in the Swedish city of Malmö by the IMO five years ago to improve technical standards in Third World shipping. It now produces 100 MSc graduates a year. Srivastava plans to divide his time between India, London and Malmö in order to remain Chancellor of the University.

His successor at the IMO will be William O'Neil, head of the Saint Lawrence Seaway Authority and the first Canadian secretary-general of a UN agency for 40 years.

O'Neil, a friend of Canadian Prime Minister Brian Mulroney, beat three other candidates for the job in a hard-fought election earlier in the year. Thomas Mensah, the IMO's Ghanaian assistant secretary-general and one of the defeated candidates, will now be working for him.

Weasel words

■ The 1980s are supposed to have been a decade of economic liberalism and market forces. Yet we now learn from the developments in Hong Kong that if you leave your country to seek better fortune elsewhere, you may be classed as an "economic migrant" and be liable to be sent home. It is not the happiest of terms.

Kensington News

■ The Royal Borough of Kensington and Chelsea may be mixing up student loans and the poll tax. Its leaflet on community charge benefits for people with low incomes includes a category for the Loan Parent.

However, there is some tentative goods news from the Royal Borough. A reader has sent us some correspondence he has been having with London Underground about the chaotic exit and entry conditions at Kensington High Street station, to which we referred last week.

London Underground has assured him in writing that work on additional stairways will start early in the new year. "In the long term," London Underground says, "we are looking at a station development package."

Who, whom?

■ A reader has written to query the use of the word "whomever" in a recent Observer note and, although he writes from a Belgravia address, says that he has never had the self-confidence to use it. And I gather from my daughters that anyone who

"I think I left the £3,000 inside the patient."

uses even the word "whom" – at least in conversation – is in danger of being ostracised at school.

Never having learned any English grammar, it has always seemed simple. "Who" is subjective, and "whom" is objective. The same must apply to "whoever" and "whomever".

Still, I have looked it up in Fowler. The second edition, revised by Sir Ernest Gowers, has 14 pages on the supposed intricacies of "which, that, who" and, as always with Fowler, his rulings are a pleasure to read. He does not, however, take the matter essentially further. He confirms that "who" is subjective and "whom" is objective. But he adds: "English-speakers being very little conversant with case-forms, confusions are bound to occur."

There is also the deliberate colloquialism, which even in Fowler's time was invading printed matter. Thus, Fowler comments: "When a book reviewer in The Times writes *Who are such conspectuses really for?*, we must presume the choice to have been made deliberately, to avoid any suspicion of pedantry."

True enough, but it would be a pity of the correct usage were dropped altogether. I think that it was Lenin who said that all power is about "Who, whom". That makes the distinction between subject and object even more clearly than Fowler.

Last outposts

■ Despite the events in eastern Europe, there are still a few outposts of communism: in the west African state of Bénin, for example.

Where the regimes of eastern Europe are bowing in the face of mass popular demonstrations, in Bénin it is the government which has officially renounced Marxism-Leninism – only to be greeted by mass demonstrations in the streets of Cotonou led by the (banned) Communist Party of Dahomey, as Bénin used to be called.

General Mathieu Kérékou, who took power after a military coup in 1972, had already begun to adopt a more liberal economic policy as early as 1987, with the help of the World Bank and the International Monetary Fund.

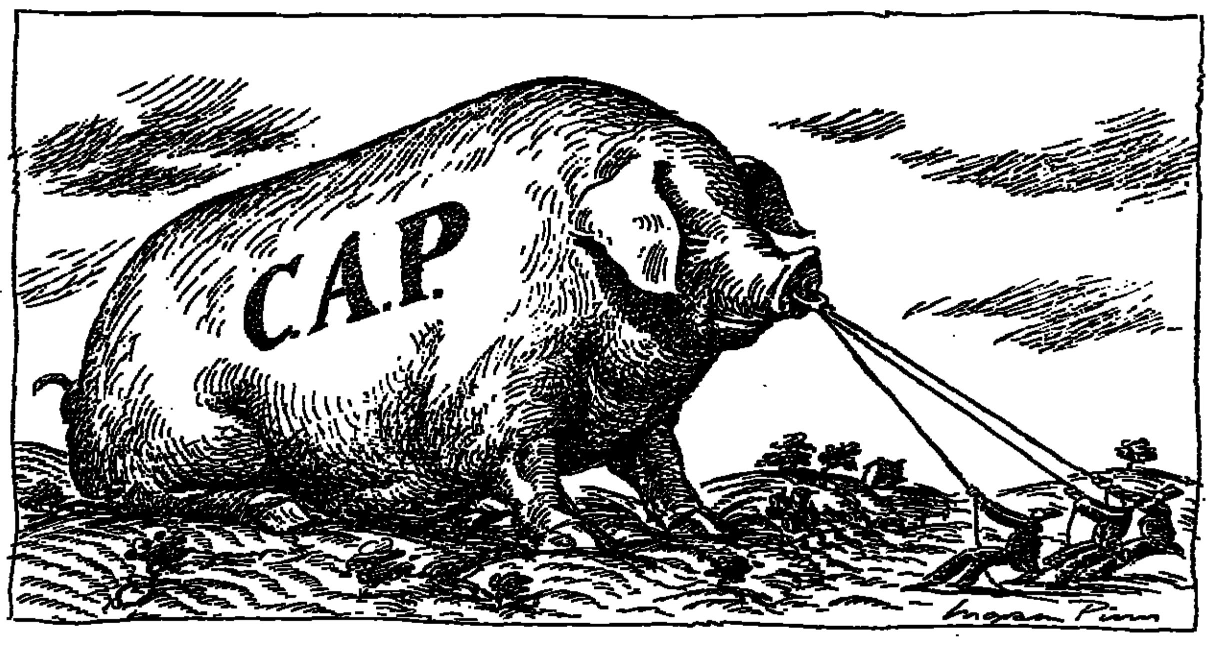
Last week he decided to give up the leading role entrusted to the Bénin Popular Revolution Party, and to end the obligatory use of "Camarade" as the official form of address: a substantial change for a country which 15 years ago officially adopted "socialism as the strategic goal and Marxism-Leninism as the philosophical guide". Yet the demonstrators have come out in their thousands to protest.

In a line perhaps best understood in English, what they want is Marxism-Beninism.

Human touch

■ Sign in a West Midlands jeweller's shop: "Tight rings removed while you wait." So much easier than calling back for the finger.

Bridget Bloom examines the reforms of the Common Agricultural Policy



The efforts to move a stubborn beast

It is a full five years since the European Community, amid the pained protests of farmers, began to reform the common agricultural policy.

So is the CAP, surely one of the most complex protectionist trade systems ever devised, now less of a monster – more rational, well ordered and less costly? Is it being readied to play its part, through the current Gatt trade liberalising round, in the unwinding of that spiral which has cost taxpayers and consumers around $270bn in farm subsidies?

It would be pleasant to report such good tidings, but the reality is less encouraging.

On the world stage the European Community has set its face firmly against the complete freeing of farm trade. Its long awaited position paper for the final stages of the international trade negotiations within the Gatt went to farm ministers this week and will go to foreign ministers next week. It continues to insist on the two-tier price regime, the key element of the CAP, since it involves special subsidised prices for EC farmers and "protective" import levies. The paper rejects the US proposal to phase out all trade distorting subsidies, envisaging only a more limited reduction.

Internally also, there is little evidence to suggest that the EC is really getting to grips with the problems now facing rural areas, many of which have been caused or exacerbated by the CAP.

Has nothing, then, been achieved? Provided the term "reform" is narrowly defined, the achievements have been important in one key area, that of finance – although even here, there are reservations.

It is worth recalling that the spur to reform in the mid-1980s had nothing to do with the EC ministers' conversion to the virtues of free market agriculture. By 1984 spending on farm surpluses and on export subsidies was consuming such runaway sums that it threatened to engulf the whole EC budget.

The dairy sector was the worst culprit and was thus chosen for treatment first. Production quotas slapped on individual farmers in March 1984 and progressively tightened over the next two years have brought milk production down to around 90m tonnes a year – compared to an estimated 121m tonnes had there been no quotas – and the dairy budget to a somewhat more manageable estimated Ecu 4.7bn (£3.4bn) this year from its 1986 peak of Ecu 6bn.

For other commodities – cereals, oilseeds, beef and veal, among others – so-called budget stabilisers were finally agreed at the EC summit of February 1988. Farmers have had to accept lower prices – as much as 20 per cent in the case of some oilseeds. Some of these have been offset by changes in the special "green" or farm rate of exchange, but the farm budget is now under better control.

Having risen rapidly, from Ecu 12.4bn in 1982 to Ecu 27.5bn in 1987, farm spending fell to just under Ecu 27bn last year, and appears to be levelling out at a similar total this year. It was nearly 75 per cent of the total EC budget in 1985, but is now around 10 per cent less.

There are however caveats to this achievement. First, much of it has been due to the quite extraneous factor of the north American drought, which resulted in cereal shortages, increased world prices and lower export subsidy bills for the EC. And although greater discipline has been imposed on the budget, the most potentially costly and trade distorting aspect of the CAP remains: the Community can adjust the prices it pays to farmers, but it remains legally committed to buy what is offered to it.

For the last couple of years, this has not been a problem, because of the North American drought, and lower EC harvests. What is not in dispute is that, even with the reforms, big EC or North American harvests would blow a hole in farm budgets all over again.

Meanwhile, however, the reforms seem to have induced a complacency and a lack of political will among member state governments in the two key areas where they are now most needed: within the Gatt Uruguay Round, and in fashioning the CAP into a more relevant instrument for the 1990s.

This bodes ill, particularly for the Uruguay Round where agriculture is widely regarded as the most intractable issue.

The EC's approach was outlined in London last month by Farm Commissioner Ray MacSharry. The Community's dual pricing system must remain, he said. The EC "cannot be expected to give up the basic principles on which the common agricultural policy was built."

The EC 'cannot be expected to give up the basic principles on which the common agricultural policy was built'

It therefore rejected the proposal made by the US and supported by the Cairns Group of non-subsidising farm exporting countries that all trade distorting subsidies should be phased out – the US says this should happen over five years for export subsidies and 10 years for non-tariff import barriers, but insists those timescales are negotiable.

How substantial the one reported concession is in the EC's new paper – a willingness to go some way towards the US on tariff reductions – will become clear when the document is presented to Gatt later next week. Following the accord on farm stabilisers and with a year of the Uruguay Round still to go, there is plenty of time left for real negotiation. But, even assuming the EC is prepared to make the necessary political compromise, there are currently so many other issues around to absorb ministerial energies – from the oncoming single market to the new challenge of eastern Europe – that it must be questionable whether Gatt will get the attention it needs.

On the domestic front, the problems are perhaps less urgent, but there is little sign there either that governments want seriously to grapple with the continuing failure of the CAP to cope with the economic, social and environmental problems of rural areas.

The fundamental issue is that a long term decline in agriculture as the engine of rural growth has been exacerbated by the existence of the CAP – both in historical terms, and as a result of the recent reforms.

When the CAP was introduced in the original six EC states 30 years ago, it was often difficult, as one commentator put it recently, to tell where peasant farming stopped and agribusiness began. Today it is very much easier: there is a marked division between farming's haves and have-nots.

Big farmers on better soils have steadily got bigger while small ones in poorer, often mountainous areas, have become increasingly marginalised. Overall, it is estimated that 80 per cent of the output of EC supported commodities comes from under 2m of the Community's 10m farmers.

This is likely to be get worse over the next decade, for while it may take that time for the full effects of the new bio-technology revolution to be felt, as a result of new plant varieties and growth boosting hormones, yields could increase at a steady 2 to 2.5 per cent a year. Yet only the richer farmers seem likely to be able to benefit – at least partly because the stabiliser-induced decrease in farm gate prices make it possible only for the bigger farmer to operate profitably.

Faced with the growing gap, what is the EC proposing to do? While there is much discussion about the need to refashion the CAP there is no consensus as to how it should be done. The Commission itself produced a treatise widely known by its French title, Le Monde Rural, 18 months ago which endeavoured to provide an outline rural development strategy.

Apparently the brainchild of Mr Jacques Delors, the Commission President, Le Monde Rurale acknowledged that the problems stemmed from a surplus of both land and the people needed to farm it, but accepted that the ramifications spread far beyond agriculture alone. The paper sought a much deeper co-ordination of all those policies which have an impact on rural areas – not just agriculture and forestry or even environment but industry, transport, regional and social policies.

The paper has had an unenthusiastic reception. Ray MacSharry, given a new rural development portfolio as well as agriculture, is clearly finding it difficult to get any political impetus behind Le Monde Rural.

So what is left is a mish-mash of measures, ranging from small aids to help farmers diversify, to pre-pension payments to encourage retirement, which are aimed at taking the sting out of farming's decline. To date, however, these account for under 5 per cent of the total farm budget and in a recent interview MacSharry did not see this ratio greatly changing.

Much is made in this context of the reform of the Community's structural funds, which are to be doubled by 1993 to Ecu 14bn. Most of this new development money is destined for the southern member states, to enable them to catch up with the richer north, and much will inevitably go into rural areas.

Plans are not fully agreed, but already worries persist that the huge increase in funds will become a new burden, resulting in piecemeal development and in a boost to production by bigger farmers, thus replicating in the south many of the problems now being experienced – and being exacerbated by an unreformed CAP – in the north of the Community.

LOMBARD

An uncharted crisis

By Michael Holman

THE OLD aphorism about statistics should be borne in mind when reading about Africa.

Four million people face starvation in Ethiopia, aid agencies warn. Africa's population is set to double in 20 years, from 500m to 1bn, claims the World Bank. Black southern African economies would have grown at a rate of 5 per cent a year were it not for South African destabilisation, says the UN Economic Commission for Africa. Over 30,000 children and 60,000 adults in Africa contracted AIDS in 1988, says the World Health Organisation.

Really? How do they know? Of the 45 states that make up sub-Saharan Africa, barely a handful have reliable national statistics. Many of the figures about Africa are little better than guesses.

It is certainly true that Africa is in crisis. But no-one really knows the scale because there are so few reliable figures. And if there are no reliable figures, how do donors or recipients draw up an efficient relief operation, plan the cities of the next century, or calculate the hospital beds or classrooms that will be needed in the 1990s?

Some examples:

● About one in five Africans are said to live in Nigeria. But how many Nigerians are there? The country's last census was in 1963, "and even then there may have been an overcount," a government paper acknowledges. Officials believe that the growth rate is "most likely" increasing by "more than 3 per cent per year." The World Bank puts the mid-87 population at 106.6m. The government forecasts a population of around 163m by the year 2000. Billions of dollars are going into Nigeria's economic recovery programme. But its architects do not know how many people they are planning for.

● AIDS, say medical experts, could well decimate the population of several African countries. Uganda (population said to be 16m) may already have 1m people with HIV, according to a government statement this month. The World Health Organisation says that 2.5m people in Africa have AIDS. By 1992, said a recent report by the Panos Institute, 250,000 African infants will have been born with HIV since 1980.

The figures may be true. They may be underestimates; they may be exaggerations. But no one really knows. Governments of some of the worst affected countries conceal information. Some run-down health services are simply unable to obtain and collate the information needed.

● A UN report last October claimed: "South Africa's military aggression and destabilisation of its neighbours cost the region $10bn in 1988, and over $60bn and 1.5m lives in the first nine years of this decade." It may well be true.

Yet two of the countries worst hit – Angola and Mozambique – have rudimentary statistical services. Further, the UN calculations include the cost of lost opportunities. This blithely assumes that the governments of a peaceful southern Africa, which, as well as the avowedly Marxist regime in Angola, includes Zambia, where Kenneth Kaunda pursues his idiosyncratic version of socialism, would all have followed productive, efficient policies if left to their own devices.

What explains these dramatic but unverifiable figures?

In the mid-70s I was on hand for the first political rallies to be held by the newly released black nationalist leaders of Rhodesia (now Zimbabwe). I wrote about the enormous crowds of up to 100,000. The politicians' supporters were outraged. More like a million, they claimed. I was baffled by the gap, until one day I asked: "What is a million?"

The answer, in effect, was a great many people. "Million" was the only word that could do justice to the enormity of the crowd. Something of the same thing may be happening today, as those concerned about Africa's crisis attempt to convey the scale of the continent's plight to a sometimes indifferent outside world.

The tragedy is real, but we do not know enough about it. Helping Africa develop a reliable statistical base is as necessary a response to the continent's crisis as sending food to Ethiopia.

LETTERS

Different approaches to takeovers in the EC

From Mr K.P. McCann.

Sir, The Director-General of the Confederation of British Industry urges the strongest support for the UK Government and the European Commission in "removing structural and technical barriers to contested takeovers – even if the time scale may be a long one" (Letters, 5 December). In common with many UK commentators on this subject, he appears to believe that the issue of contested takeovers within the EC is a purely regulatory one. This is not so.

The obstacles to contested takeovers which exist in other EC countries are not always the result of lack of enlightenment on the part of legislators or of the self-interest of public company managements. While management's self-interest may have promoted some takeover restrictions (Holland is perhaps the chief suspect here), many restrictions exist because they are considered specifically desirable, or because they reflect generally the business culture of a country.

The assumptions and attitudes underlying those restrictions may be quite different from our own. In particular, the assumption in the UK that contested takeovers contribute to the efficiency and strength of the economy by imposing "the discipline of the market-place" on management teams is simply not shared in many other countries, nor is the maximisation of shareholders' wealth necessarily regarded as an overriding objective.

This is especially true in Germany, where wide-ranging barriers to hostile takeovers are often the subject of criticism by outsiders. Far from restraining competition and efficiency, these barriers are an integral part of an economic system which aims to encourage businesses to develop to their full potential by creating a stable environment in which decisions can be made in the best long-term interests of a company, rather than being dominated by share price considerations.

Moreover, the relative lack of importance attached to the German stock markets, social and employment legislation, tax regulations and the approach to financing industry all point to an economic culture which believes that a business is important in many different ways to a country, its economy and its society. The idea that shareholders' interests alone should prevail is not widely accepted, and comparisons with the UK or the US are unlikely to make it so.

I suggest that the very success of the German economy, (or, for that matter, the Japanese economy), and the industrial culture and financial system which have contributed to it, are themselves structural barriers to contested takeovers. If Mr Banham seriously wishes to remove them, his timescale will indeed be long.

K.P. McCann,
Granville & Co. Ltd.,
77 Mansell St., E1

Now for the real, real thing

From Mr Jack Whyman.

Sir, Lisa Wood's article (December 6) on the agreements between Coca-Cola and the Amalgamated Engineering Union at the Wakefield plant is a reasonable assessment of the terms and conditions set out in those agreements.

What is not accurate is the headline: "Where a no-strike deal is the real thing." Our members do have the option of withdrawing their labour if all procedural steps are exhausted in the avoidance of a labour dispute.

This is the British worker's fundamental right in any company, and was included in the agreements between the AEU and the company.

Jack Whyman,
Executive Councilman,
Amalgamated Engineering Union,
110 Peckham Road, SE15

Engineers

From Mr Alan Ducker.

Sir, Max Wilkinson's column (December 11) highlights the despicable treatment given our young engineers over the last 30 years.

As a naval aircraft engineer officer on detachment to the aircraft industry in the UK in the early 1960s, I was saddened by how little the creative talents of young engineers were valued. My later experience of the US aircraft industry, where engineering competence and creativity were properly rewarded confirmed the lesson.

Today, when lists of successful candidates for the professions are published in newspapers, the occasional half-page of newly-qualified engineers is outweighed several times by the numbers of accountants. Someone should explain why the UK produces so few creators of wealth, and so many qualified to oversee them.

Alan Ducker,
3, Allenby,
Lansdown Road,
Bath

Season of goodwill

From Mr Alan Benjamin.

Sir, In their arguments for maintaining goodwill as a permanent asset in the balance sheet "until its value is seen to have permanently diminished" (FT, December 7), Graham Stacy and David Tweedie are really arguing for an annual revaluation and an annual judgment on the value of an asset soon to be subsumed and integrated into the general business. Is this realistic and relevant?

Internally generated goodwill ought to be valued – as should all intangible assets – and brought into a balance sheet. This would lead to a much clearer focus on asset stewardship and the condition of a company than the current practice of ignoring goodwill encourages.

Were the proposed new practice adopted, the problem would go away, because each year a view would be taken of all goodwill and values struck accordingly. The real gain for investors would be better informed scrutiny of management's arguments concerning these values.

Alan Benjamin,
9 The Chequers,
West End Lane,
Pinner, Middlesex

From Mr Martin Jones.

Sir, If the market capitalisation of a business is £100m and the net assets are worth £80m, is the difference not goodwill? Why do we need fancy methods of accounting for goodwill when the market tells us what it is?

The rest can be taken care of by simple double entry book keeping – debit goodwill, credit capital reserve such that the net assets, including goodwill, at the balance sheet date equals the market capitalisation.

This is an easy system which can be understood by everyone.

Martin Jones,
474 Upper Richmond Road,
SW15

Death of the small pension scheme has been greatly exaggerated

From Mr Patrick MacNamee.

Sir, It is not the case that potential restrictions on loan-backs and property acquisitions will cause the death of small self-administered pension schemes (SSAS). My associates and I have more than 100 SSAS, less than 15 per cent of which are involved with property or loan-backs.

The whole object of SSAS is to give the director and his financial advisers the power to choose investment sectors and to control costs. Only the normal fees are payable in connection with such schemes and commissions are almost always small.

The many restrictions on insurance company schemes have helped to create SSAS, which are using with profit policies issued by the major insurance companies as a substantial part of their overall investment strategy.

In any event, loan-backs and property acquisitions are monitored by the SFO, and are not abused in the ways recent articles in the financial press would seem to suggest.

Placing restraints on property acquisitions and loan-backs appears to be unnecessary. It would be sad to see them imposed, but this would not kill off SSAS.

Patrick MacNamee,
Patrick MacNamee & Associates Ltd.,
15 St. Mary's Road, W5

FINANCIAL TIMES
Thursday December 14 1989

NEW CLAMPDOWN ON PRIVATE ENTERPRISE

Chinese leaders move further from reform

By Colina MacDougall in London

CHINA'S hardline communist leadership, installed after the June massacre in Peking, has moved decisively away from reform towards a 1950s-style central economic control and further clamps on private enterprise.

The news comes just as Western governments have begun to relax sanctions against China, applied after the Peking authorities shot down unarmed pro-democracy demonstrators.

New rules published yesterday in the China Daily, Peking's official English-language newspaper, allocate a growing share of industrial output to the state, effectively punishing the vigorous but ideologically doubtful private enterprise system and pushing China further back towards the central planning of the 1950s.

The European Community agreed to suspend government credits to China at the Madrid summit last June.

Britain's £300m ($480m) soft loan, frozen then, remains so and "there will be no easy thawing", a leading businessman in the China field said yesterday.

However, London will relax its suspension of export credit guarantees for China within the next two to three weeks, Export Credit Guarantee Department officials said yesterday. "We're now looking at applications for new business, and we'll be assessing how much we can take on", said one.

This is the first step in the Western return to the Chinese market which Peking officials have predicted was inevitable since foreigners would be unable to resist 1.2bn potential customers.

Reports from Peking say that other European countries, notably Italy, are starting to relax controls. Italy is said to be giving factory-gate subsidies to enable equipment to be sold to China cheaply.

The British relaxation coincides with the trip by Mr Brent Scowcroft, assistant to President Bush for national security affairs, last weekend to brief Chinese leaders on the US-Soviet Malta summit and to re-establish contacts with the Peking government, also frozen since June.

Last week Japan signed an agreement, again the first since June, for equipment worth Y5bn ($347m) for four Chinese projects.

This initial unravelling of Western sanctions comes against the background of a so far unpublished but widely leaked 39-point document, which was agreed at the party's Central Committee meeting last month and which called for vastly increased state planning and new restrictions on both private and collective enterprises.

The measures outlined yesterday in the China Daily herald the implementation of this tough policy.

These measures will allow the government to reduce sales autonomy, step up taxes, take over key enterprises and direct a bigger share of scarce raw materials to the state sector, nearly a quarter of whose enterprises operate at a loss.

While businessmen argue that Western economic aid is necessary to keep China's door open in the hope of reform later, such aid is unlikely to help as long as Peking continues to revert to the inefficient system the Soviet bloc is seeking to abandon.

Soviet Union to buy 500 cars from Nissan

By Robert Thomson in Tokyo

THE SOVIET UNION is to buy 500 cars from Nissan, apparently in a move to placate disgruntled coalminers in the Siberian city of Kemervo.

Miners in the region organised strikes during the summer, and a Nissan spokesman said that the company has been told that the shipment, the largest Soviet order received by a Japanese carmaker, would be shared among the miners and their representatives.

The order, for 400 diesel and 100 petrol Sunnys, is estimated to be worth Y400m ($2.73m), and will encourage Japanese companies hoping to profit from the development of Siberia and the Soviet Far East.

Nisso-Boeki, the Japanese trading company which negotiated the contract, said the deal had "political significance" because there had been a consumer goods shortage in the region and the cars were designed to pacify the discontented miners.

The company added that exporting cars had become easier in recent months because of greater licence given to the authorities in sensitive political areas, but that sales would be limited by a shortage of hard currency.

"This is definitely the biggest single order a Japanese maker has received from the Soviet Union," the Nissan spokesman said. "Although the market has good prospects, we are taking a prudent attitude. It is a difficult to make definite plans for that market."

Japanese producers have reported a significant increase in purchases of domestic cars by Soviet organisations, which have traditionally imported small buses and commercial vehicles.

Last year, Nissan sold 672 units to the Soviet Union, and so far this year, the company has sold 1,298, excluding the new order.

Total sales by Japanese makers last year were 1,313 units, and the figure is expected to be more than 5,000 this year, with Toyota reportedly having sold 3,000 by early last month, up from an average of less than 10 in the years before 1987.

Bush faces call for bigger defence cuts

By Peter Riddell, US Editor, in Washington

THE BUSH Administration's proposals for squeezing US defence spending are already coming under challenge from key congressional leaders for not going far enough, since they take insufficient account of the reduced Soviet military threat to Nato in Europe.

More than a month ahead of the formal presentation of the defence budget for fiscal 1991, starting next October, congressional leaders have signalled that a wide-ranging reassessment of US defence priorities and spending needs to be undertaken in the light of the upheaval in Eastern Europe.

Significantly, criticism of the Pentagon has come from such congressmen with a key role in determining the defence budget as Senators Sam Nunn and John Warner, the Democratic chairman and senior Republican on the Senate armed services committee.

Mr Nunn has this week argued that the Pentagon has failed publicly to disclose or build into its assumptions a new US intelligence estimate of a greatly increased warning time of a possible Soviet attack in Europe. The new assumption is that the West can count on a 33 to 44 day warning of attack, compared with a previous estimate of 10 to 14 days. The new assessment was reached before this year's Soviet proposals for unilateral troop cuts in Europe.

The senators have argued that the failure to take account of the new assessment of the Soviet threat has jeopardised the credibility of the Pentagon's budget request. Mr Nunn said it would be "almost impossible to defend a budget that is not based on real developments in the world".

However, Mr Paul Wolfowitz, the defence under-secretary for policy, has argued that the increase in the warning time has resulted from improved Nato capabilities against a surprise attack rather than Soviet cuts. He has warned that relaxing the western posture too much could create incentives for an earlier Soviet attack with less warning.

The Pentagon is not changing its assumptions about the minimum time the US would expect to have to send initial air and ground reinforcements to Europe until the strategic and political situation in Europe becomes clearer and conventional force cuts are being implemented.

Nevertheless, Congress seems certain to reduce spending below the total to be proposed by the administration. President George Bush last week split the difference between the Pentagon and the budget director in deciding upon a total of $295bn for fiscal 1991. This is the same in cash terms as in the current fiscal year, though it would amount to a real cut of 3 per cent after taking into account projected inflation.

But some congressmen are already talking of cutting at least $5bn from this figure.

Vietnamese boat people demonstrate through Hei Ling Chao island yesterday against Hong Kong's repatriation policy, Page 6

EC faces controversy over farm spending supervision

By Tim Dickson in Brussels

SERIOUS new flaws in the European Community's budgetary management procedures are highlighted in a controversial report published yesterday.

Many of the criticisms centre on the alleged inadequacy of controls over the EC's Ecu27bn ($31.4bn) farm spending – and its vulnerability to fraud – but also implicit in the findings is concern about the Community's use of cheap loans and the way in which money is distributed to newer member states.

The findings, which cover the financial year 1988, are set out in the latest annual report of the EC's Court of Auditors, the financial watchdog which is charged under the Treaty of Rome to draw up its analysis of the Community's accounts and send them to the European Parliament and the Council of Ministers.

In earlier years, many of the Court's reports were dismissed as being out of date and poorly researched, but more recently its observations have attracted much wider political and public attention and served to highlight the apparently growing problem of EC financial fraud.

With EC budgetary crises, for the moment, a thing of the past, the pressure for sweeping changes in the way Brussels organises its finances has eased. But while last year's comments from the auditors pointed the finger more at controls operated by the member states, a significant feature of this year's densely packed 342-page volume is the equal blame directed at the Brussels-based European Commission.

The detailed agricultural studies cover the EC's regimes for fruit and vegetables, the production aids paid on durum wheat, the subsidies given for the production and use of starch, aids for skimmed milk powder incorporated into compound feeding stuffs for calves and the ewe premium in the sheepmeat sector.

The Court reckons that almost Ecu100m may at the moment be handed out in "excessive" ewe premia because of the inadequate number of inspections of flocks carried out by Community officials.

It says that the regulations governing the regime are inadequate "because they contain definitions and provisions which it is not possible to control and they are too vague in their specification of the controls that should be carried out by the member state authorities."

It claims that the random physical checks carried out are not sufficient to to ensure that they act as disincentive to farmers to put in fraudulent claims. In a passage which conjures up potentially unkind images of EC bureaucrats, it is suggested that the minimum requirements of such checks should include physical counts of all the sheep.

Moscow agrees to delay price reforms

Continued from Page 1

However, he did propose that the Soviet Union's Socialist trading partners in Comecon should switch to trading at world prices in freely convertible currency from 1991, which would benefit the Soviet Union by boosting its hard currency earnings from oil.

He also announced an end to the system of workers electing their managers in state enterprises – to enthusiastic applause from the Congress of People's Deputies, the new Soviet super-parliament.

His programme stops far short of the radical vision of economic reform presented only last month by Dr Leonid Abalkin, his deputy, although it still includes the ultimate ambition of moving to a "socialist market" with a variety of property relations.

It was condemned by more radical reformers as a betrayal of perestroika and a return to the traditional belief in administrative measures and central allocation of resources.

The Soviet Prime Minister did not hide the dire state of the economy in his presentation to the Congress, admitting the popular dissatisfaction with perestroika, the shortages of goods, excess of money supply and massive state budget deficit.

However, he said the key to a solution lay in a huge switch of state finances from heavy industry to consumer goods, rather than in too fast a switch to a market economy.

"If, contrary to objective reason, we should try to introduce fully-fledged market relations by 1991, it would bring us to serious socio-economic upheaval, a new stage of galloping inflation, falling production, mass unemployment and aggravation of social tensions," he said.

Plans to reform farm-gate prices for foodstuffs next year, in an effort to stimulate higher food production, were being postponed to 1991, he said, putting back the price reform process by a year across the board. Retail prices would not be changed before 1992, after a "nationwide debate."

On foreign trade, he warned that "the currency deficit is most dangerous, the most destructive of all balances."

As a result, he called for a halving of imports which could be produced in the Soviet Union, such as ferrous metals, paper and some chemical products, "in the near future."

He repeated the known Soviet enthusiasm for a switch to trade in convertible currency in Comecon, suggesting that it should be done as soon as 1991 – a move likely to be resisted by East European trading partners such as Poland and Hungary, whose own exports would be worth less in hard currency than Soviet oil.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	15	59	Dubrovnik	C	9	48	Malta	S	18	64	Rhodes	S	12	54
Algiers	F	24	75	Edinburgh	S	4	39	Manchester	Sl	3	37	Rio de J'o	C	36	97
Amsterdam	R	5	41	Faro	C	19	66	Manila	F	31	88	Rome	F	16	61
Athens	F	12	54	Florence	F	14	57	Melbourne	F	18	64	Salzburg	R	5	41
Bahrain	F	21	70	Frankfurt	R	3	37	Mexico City	F	23	73	San Francisco	F	6	43
Bangkok	F	32	90	Funchal	F	21	70	Miami	C	21	70	Seoul	F	3	37
Barcelona	F	16	61	Geneva	C	10	50	Milan	C	2	36	Singapore		–	–
Beirut		–	–	Gibraltar	C	18	64	Montreal	Sn	-22	-8	Stockholm	S	-4	16
Belfast	Sl	2	36	Glasgow	S	3	37	Moscow	S	-6	21	Strasbourg	C	9	48

Too-early UK entry 'could hurt EMS'

Continued from Page 1

it because it was the Government's responsibility to ensure low inflation.

Mr Leigh-Pemberton said that by "independent" he did not mean an "unaccountable" Bank of England, which was not a sensible proposition in a modern liberal democracy.

However, the Governor said an explicit obligation to ensure price stability could be separated by statute from wider economic policy-making in a way that protects against "damaging trade-offs."

"An institution placed under such an over-riding obligation would, over the long run, be better at obtaining price stability, and that democratic accountability could provide sufficient protection against incompetence or a misuse of powers," he said.

Price stability would have to be the cornerstone of the EMS and, more broadly, the first stage of economic and monetary union. He rejected any Europe-wide attempt to determine how that was done and advocated caution along the road to EMU.

He said that the commitment to low inflation should be entered into voluntarily by the EC's 12 member states and that the means by which price stability was achieved should be left to national authorities to decide for themselves.

However, the Governor was reluctant to consider the future beyond stage one of the Delors report on EMU. He said a commitment to price stability would bring about greater exchange rate stability and make realignments within the EMS less and less frequent.

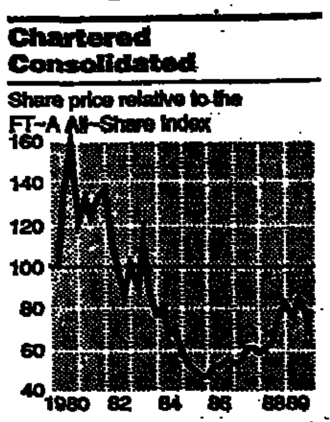
THE LEX COLUMN

Living with the rising Mark

For a little while yesterday it looked as if the UK's currency problems had resurfaced, with the D-Mark rising at one point to its highest ever level against sterling. There seems little reason for the UK authorities to panic. The curious behaviour of the foreign exchanges will be at least partly due to the approach of the year end, with positions being closed and money being brought back home. In recent weeks sterling has been stronger than the dollar, to say nothing of rising to a two-year high against the beleaguered Yen.

But yesterday's events were a useful reminder that sterling is by no means out of trouble. The market suspects that today's Bundesbank meeting, which sets monetary targets for the year ahead, may lead to a further rise in West German interest rates. That apart, the market is also starting to discount the possibility that German funds which made their way overseas a couple of years ago may now be heading home, perhaps to prepare for investment opportunities in Eastern Europe.

If the Bundesbank still aims to restrain domestic growth by suppressing demand among its neighbours, it presumably does not mind whether it does so by raising their interest rates or driving down their currencies. The complicating factor is that the D-Mark is close to the limits which might trigger an EMS re-alignment. If the other European currencies devalue against the D-Mark, the case for treating the sterling/DM rate as an aberration would be stronger again.



British Airways

It is eight months since BA and KLM first announced plans for a link-up with Sabena and the deal's slow progress indicates the problems involved in linking national airlines. Even now, the 20 per cent stakes have to pass the scrutiny of the European Commission. But if the link-up does win approval from the bureaucrats, BA will have the strategic benefit of a share in what might eventually be one of Europe's leading hubs. Heathrow and Gatwick are already straining their capacity; Brussels could take surplus long-haul flights as well as providing a channel for the underused British airports, Manchester and Birmingham.

The initial investment in Sabena World is small at £34m, but there may be a good deal more to spend if the Belgian airline is to achieve its ambition of trebling its size within six years. After the £310m rights issue, originally intended to fund the UAL stake, BA is at least not short of cash.

An ideal network would of course add a US and a Far Eastern hub to the European centres. The chances of BA becoming involved as an equity partner with UAL now look remote, but the marketing agreement still stands. The risk for BA is the attitude of whichever equity investors do eventually get involved in the UAL buy-out. In the Far East, finding a partner could be difficult since many of the local airlines compete with BA on long-haul flights. Long though it took to arrange, buying into Sabena is only the first step on a very long road.

Deutsche Bank

However wary one may be about German banks' accounts, with their hidden reserves and ample scope for profit smoothing, Deutsche Bank's 10-months results yesterday were impressive evidence of how much was achieved in the Herrhausen era. True, it would have been hard for Deutsche not to make a packet this year given the vigour of German domestic loan demand this summer and autumn, especially in real estate and construction, and a rising Lombard rate. Indeed, Deutsche's shares dropped DM9.5 to close at DM768 last night; hardly surprising, given that strong earnings figures from Deutsche, Dresdner Bank and Commerzbank have been well discounted in the outperformance of their shares since late October or so.

Underpinning the 28 per cent rise in Deutsche's mainstream banking profits, to DM3.18bn, are two special features. One is the feed-through to the bottom line of several years of cost control measures. For a German bank, a 3.5 per cent drop in headcount looks impressive; the mere 0.7 per cent rise in overall staff and operating costs in the first 10 months mean Deutsche has clawed back some of the operating margin it lost in 1986 and 1987.

The second is the evidence of Deutsche's assimilation of foreign acquisitions, such as Banco d'America e d'Italia, in the 25 per cent growth in loans outstanding to foreign customers. The appointment of Mr Hilmar Kopper as Mr Herrhausen's successor suggests no change in Deutsche's strategy of making itself a global player.

Charter

The stock market would love to believe that South Africa's Anglo American Corporation has a great game plan to guide its investments in its assorted overseas affiliates. If it has, it is very well disguised. Minorco does not seem able to make up its mind about what to do with its embarrassingly large cash mountain; Johnson Matthey is in the midst of an unnecessary management upheaval; and Charter Consolidated is still having difficulty convincing a sceptical market that it is being run for the benefit of all its shareholders, not just the South Africans.

A 20 per cent rise in Charter's first-half pre-tax profits and a generous dividend increase look reasonable enough. But strip out the benefits of higher interest rates on the surplus cash and overdue cost cutting at the group's head office, and the results look pedestrian. The new management has done a creditable job turning the group round; but there is no way the dramatic profit improvement over the last five years is going to be repeated over the next five. Few of Charter's motley collection of businesses can be seen as in major growth industries and the economic environment is likely to be far less benign.

One hopes that yesterday's quarry acquisition will not prove as problematical as some of the ventures of previous Charter managements. Nevertheless, such moves are of far less consequence for Charter shareholders than the future of its 39 per cent Johnson Matthey stake, equivalent to almost half Charter's market capitalisation. The sale of this stake would be a sure sign that Charter is finally being run for the benefit of all its shareholders.

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INSIDE

Ford braces itself for rough ride

Ford Motor, the world's second largest automotive manufacturer, predicted a further significant decline in the US car and truck market next year after the 5.7 per cent fall in sales recorded in 1989. Ford also said the rapid additions to manufacturing capacity, especially by Japanese companies expanding both in the US and Europe, would result in worldwide excess capacity of 8.4m units in the early 1990s. Page 18

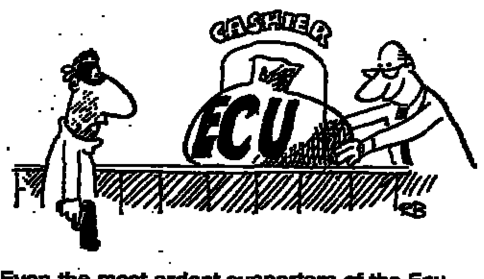
Hot time in Tokyo

For the second time this year Japan's financial authorities have had to step in to cool down trading on the Tokyo Stock Exchange. Last week, the exchange announced that it would tighten requirements for margin trading, in a bid to curb speculative activity which had been building up in the market. By reducing the valuation of securities lodged as collateral for margin trading, the TSE hoped to send out a signal to investors that the market was overheated. Investors got the message, but quickly and firmly decided to ignore it. Page 38

Ring of confidence

Nobody could accuse Barrack Mining of lacking confidence. Only two years after becoming involved in a project that will add about 8 per cent to world supplies of silicon metal, the Perth-based group is rushing ahead with doubling output from the initial 25,000 tonnes a year. Page 26

Could do better



Even the most ardent supporters of the Ecu must agree that it is not all that it could be. Progress is, however, better in some areas than in others. For, while commercial users find the Ecu a somewhat cumbersome instrument that requires bundling appropriate amounts of the 12 component currencies, on the financial markets it has proved sharper and performs a number of novel functions. Page 21

A study in caution

Mr Hilmar Kopper (left), Deutsche Bank's new chief executive, announced a profits surge, prompting hopes of a record in 1989. Mr Kopper, answering questions with studied caution, represented a return to a less flamboyant style than that of his eminent predecessor, Mr Alfred Herrhausen, slain last month. He described these results as "satisfactory to good," and hinted at a dividend increase beyond the DM12 a share paid in 1988. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Bayer	284.6	+	4.6
Hapag Lloyd	365	+	5
Falls			
BMW	532.5	−	6.5
DLW	700	−	10
Horten	319	−	6
Linotype	675	−	19

NEW YORK ($)

Rises			
CMS Energy	37½	+	2
Woolworth FW	83⅛	+	1⅜
Falls			
Exxon	50⅞	−	⅞
Microsoft	79¾	−	2¾
Newmont Gold	48	−	1⅝
UAL	170	−	6¾

PARIS (FFr)

Rises			
BP France	152.9	+	5.0
Leroy-Som	2122	+	161.5
Zodiac	348	+	49.7
Falls			
BNP CI	416.5	−	15.4
CMB Pack	236	−	9.1
Sanofi	1030	−	47.7

TOKYO (Yen)

Rises			
Nihon Inter	1140	+	120
O-M	1180	+	150
Oriental Photo	2090	+	230
Sumitomo Ind	6700	+	650
Yuasa Trading	1280	+	120
Falls			
Daiwa Cons	2000	−	150

New York prices at 12.30

LONDON (Pence)

Rises			
Barclays	563	+	11
Berisford	161	+	9
Brit Aero	572	+	11
Brit Borneo	665	+	35
BP	341	+	8
Glaxo	822	+	25
Granada	310	+	8
Hawker Siddeley	691	+	17
Hoskyns	485	+	25
ICI	1137	+	12
Nat West	347	+	11
Reuters	1088	+	66
Shell	453	+	11
SmithKline	614	+	10
Std Chartered	568	+	13
Thames TV	522	+	19
Watson Motor	600	+	27
Falls			
Charter Cons	466	−	13
Enterprise	658	−	10
Johnson Matt	333	−	7
STC	255	−	15

Daimler pulls out of Ferranti bidding

By Hugo Dixon in London

DAIMLER-BENZ, the West German industrial group, has pulled out of the bidding for Ferranti International Signal because it sees too many difficulties in acquiring the troubled defence electronics company within the tight time scale set by Ferranti's management. Baring Brothers, Ferranti's merchant bank, was informed of the decision yesterday morning.

The withdrawal of Daimler, which was Ferranti's favoured partner to rescue it, follows a decision earlier this month by British Aerospace not to bid for Ferranti. It would seem to indicate that Ferranti will have a hard time persuading international defence groups to inject new equity to plug the gap left in its balance sheet by an alleged £215m ($347m) fraud.

Ferranti's decision to impose a deadline of next February on negotiations with groups interested in buying all or part of it was mentioned by Daimler as the principal reason for pulling out. In the event that no deal is signed by the deadline, Ferranti has put in place a £150m standby rights issue to secure its survival.

Daimler believed this meant it would have to race through the negotiations, something it was unwilling to do. It was also uncertain how easy it would be to manage a company like Ferranti from overseas.

"We decided not to pursue this actively within the time imposed by the standby rights issue," said Mr John McLaren, a director of Morgan Grenfell, the merchant bank advising Daimler. He said Daimler might look at Ferranti again after the deadline had passed if no other group came forward with an offer. Following the withdrawal of both Daimler and BAe, attention is likely to focus on Thomson-CSF, the French state-controlled defence electronics group, and General Electric Company of the UK as possible partners for Ferranti.

Nevertheless, a takeover by Thomson would be politically unattractive to the UK Government because it would, in effect, amount to the nationalisation of Ferranti by the French Government. Thomson, which was considering a joint bid with BAe, made clear it was still interested in Ferranti after BAe pulled out.

Meanwhile, the Ministry of Defence would not be too happy about GEC increasing its hold of the UK defence electronics market, which it already dominates.

The involvement of Thomson or GEC, however, would be difficult to resist unless some other bidder came forward. A possible compromise would be to allow either group to take a minority stake in Ferranti.

Also understood to be interested are Westinghouse, the US electrical group, and Dowty and Smiths Industries both of the UK. Both Dowty and Smiths, though, are considered too small to take on the whole of Ferranti, and they are interested only in those parts of the group which overlap with their own businesses.

ABB in eastern Europe expansion

By Nick Garnett in London

ASEA Brown Boveri (ABB), the Swedish-Swiss pan-European electrical engineering group, is seeking to build an extensive manufacturing base in eastern Europe.

The company appears to be close to acquiring a majority interest in Zamech, Poland's largest turbine and generator maker, a long-time licensee of ABB equipment.

However, the Polish concern has first to go through a form of privatisation and this process has proved more time-consuming and cumbersome than expected, so the purchase cannot be made until at least early next year.

ABB also began negotiations a few months ago on a possible joint venture with the state-owned East German power engineering sector and is doing the same in the Soviet Union.

Mr Eberhard von Koerber, ABB's German-born executive vice president for central and eastern Europe, said ABB was also opening discussions on similar lines with state-owned power engineering groups in "one or two" other east European states.

"We believe that if we were not prepared to integrate eastern European manufacturing into a global sourcing network we would not be honestly contributing to the political and economic changes in eastern Europe, and not contributing to our goal of becoming the world's lowest-cost supplier," Mr von Koerber said.

He said the intention was to fully integrate Zamech, which employs 5,000, into ABB's worldwide manufacturing network.

The injection of ABB technology and efficiency standards would help Zamech compete for power station projects in the third world. ABB also wants to use low-cost Zamech-made components in equipment produced at ABB factories in Western Europe.

ABB , which has been at the centre of a cluster of acquisitions in Western Europe and North America in the past two years, is not the only maker of power station and electricity transmission equipment to be opening talks with eastern Europe.

Nuclear Power International, formed by Siemens of West Germany and Framatome of France as a joint venture in nuclear power engineering, is also discussing a joint venture with Soviet authorities.

Siemens, as an international leading electrical engineering group, must also be in contention for any joint venture with the East German power engineering industry.

Volvo packs up its troubles

John Burton on the group's move to concentrate on its core business

On the eve of St Lucia's Day, when Sweden celebrates light in the midst of the Nordic winter darkness, Volvo chairman Pehr Gyllenhammar decided to end a gloomy chapter for his company and begin a new one that he hopes will have a brighter future.

In the biggest business deal in Swedish history, Volvo exchanged its troublesome interests in pharmaceuticals and food for co-ownership of the state holding company Procordia.

The SKr23.8bn ($3.75bn) arrangement amounts to a confession by Volvo that its decade-old attempt to diversify away from its core business areas of cars, trucks and aerospace on its own has not been successful. But the solution to the problem is regarded as a clever one – as well as marking an important new development in the Government's privatisation programme.

Pharmacia, the Volvo-controlled Swedish pharmaceutical company, and Volvo's food division, Provendor, are being merged into Procordia. Meanwhile, Procordia and Volvo are making a joint bid for outstanding shares in Pharmacia, in which Volvo now controls 46 per cent of the voting rights and 29 per cent of equity.

The acquisition of Pharmacia will transform Procordia into Sweden's largest pharmaceutical company, with sales of SKr11.8bn, overshadowing its domestic competitor, Astra, which had sales of Skr6.27bn in 1988.

The deal will allow the Volvo management to concentrate its attention on cars and trucks at a time when their sales are weakening and the company's profits are heading for a fall.

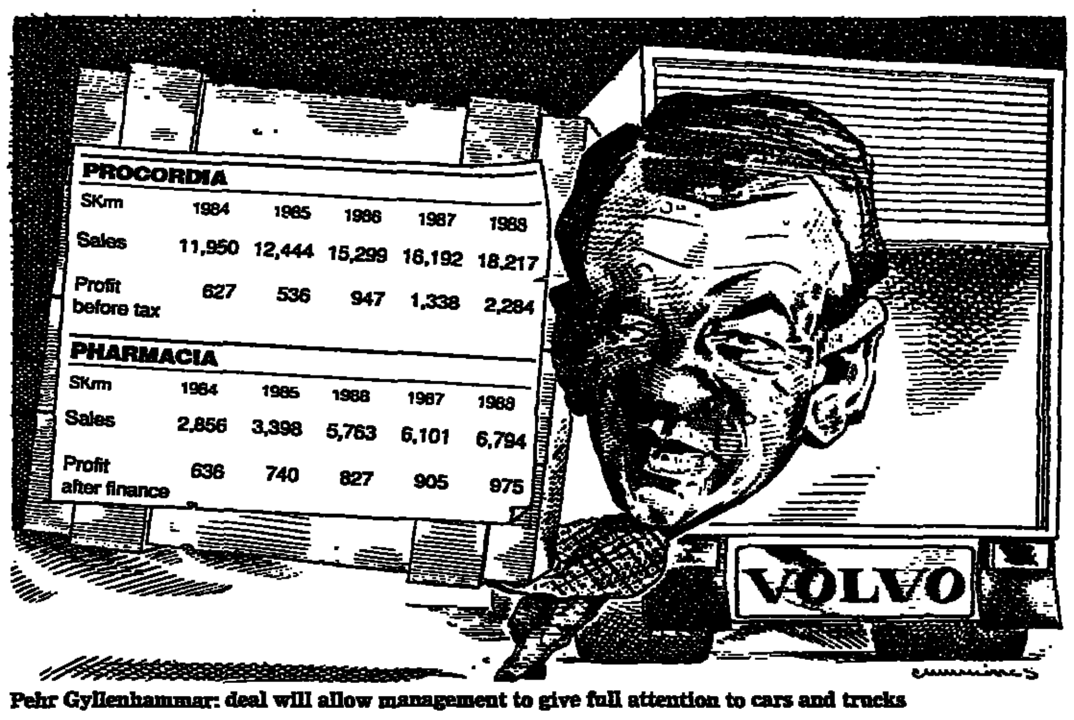
But while leaving Procordia with the management headache of improving the performance of Pharmacia and Provendor, Volvo can look forward to reaping the benefits that are confidently predicted to result from their synergy with Procordia's Kabi pharmaceutical group and its food and drinks operations.

Volvo has spent the last few years looking for a way to restructure its non-core businesses, which it began to acquire in the 1970s. The diversification was based on the premise that it would protect Volvo against cyclical downturns in motor vehicle sales.

Volvo was attracted to the food business because it is immune to economic cycles, but it could not find a way to counter the industry's low profit margins. Although Provendor sales of SKr10.4bn accounted for 11 per cent of Volvo's profits in 1988, its profit after financial items of SKr206m represented only 2.5 per cent of group profits.

While Volvo mainly acquired its interests in energy and food through its merger with the Beijer investment group in 1981, its entry into the pharmaceutical area came in 1985, when it bought its first stake in Pharmacia.

With Volvo's backing, Pharmacia expended its operations both in Sweden and abroad through a series of acquisitions. But an attempt by Volvo to restructure the country's pharmaceuticals and biotechnology sector in co-operation with Fermenta ended disastrously in 1986 as Fermenta plunged into a financial scandal. Pharmacia's performance since then has been steady, but not outstanding, with an 18 per cent rise in profits between 1986 and 1988.



PROCORDIA SKm	1984	1985	1986	1987	1988
Sales	11,950	12,444	15,299	16,192	18,217
Profit before tax	627	536	947	1,338	2,284

PHARMACIA SKm	1984	1985	1986	1987	1988
Sales	2,856	3,398	5,763	6,101	6,794
Profit after finance	636	740	827	905	975

Pehr Gyllenhammar: deal will allow management to give full attention to cars and trucks

But Pharmacia indicated last month that it might be unable to match last year's profit figure of SKr975m due to weaker sales in biotechnology.

With both Pharmacia and Provendor showing weaker profitability, the time seemed opportune for Volvo to transfer these assets to Procordia, which has aggressively expanded during the 1980s, in return for a 42 per cent stake in the concern, equal to that of the Swedish state.

Procordia has become a success story for the Swedish Government since its birth out of the remains of the previous government holding company, Statsforetag, in 1982.

Stripped of the state's lossmaking mining, steel and forestry operations, Procordia embarked, under its managing director, Mr Soren Gyll, on a major expansion into the profitable consumer products area, while gradually shedding its remaining industrial holdings. It controls Sweden's tobacco monopoly and is the country's biggest beer brewer through its Pripps and Falcon subsidiaries.

Procordia decided several years ago to target the pharmaceutical area for expansion because of fears that the company was becoming overdependent on food, drink and tobacco.

Meanwhile, the addition of Provendor will help Procordia overcome its somewhat frustrated attempts to create a food and drink empire in the Nordic region.

With Provendor's holdings, Procordia can now claim to be Scandinavia's largest food and drink producer with SKr17.7bn in sales.

The merger of Volvo and Procordia food and pharmaceutical operations reflects growing concern within Sweden that its industry is vulnerable to the increased competition resulting from the EC internal market. It is only the latest example of a consolidation that is occuring in all areas of the Swedish business world, from forestry to banking, to meet the challenge.

The wave of mergers is also accelerating the Social Democratic government's privatisation of its holdings in industry and banking.

The reduction in its ownership of Procordia from 81 per cent to 42 per cent marks the most important step yet in the privatisation programme, which has included selling off two-thirds of the steel concern SSAB and reducing the state interest in the NCB forestry company to half. The recent takeover of Nordbanken by the state-controlled PKbanken will also lead to a dilution of its shareholding in the larger bank.

Although the level of state ownership is falling, the government has now gained a measure of influence in the country's biggest food producer, its largest pharmaceutical company and its most important bank, all areas the Social Democrats consider vital to the welfare of society.

BA to pay £34m for 20% stake in new European airline venture

By Paul Betts in London and Laura Raun in Amsterdam

BRITISH AIRWAYS is to pay £34m ($54m) for a 20 per cent stake in Sabena World Airlines, a new European airline joint venture with Sabena of Belgium and KLM Royal Dutch Airlines.

The deal is the latest in a growing series of co-operative agreements between airlines to strengthen their competitive position in an increasingly deregulated airline market.

It is expected to be followed today by the announcement of a tie-up between Swissair and Singapore Airlines. Both have already established independent cross shareholding links with Delta of the US.

The Sabena investment is designed to give BA a foothold in continental Europe, and support the UK flagcarrier's global expansion plans. The new venture plans to develop an extensive European hub at Brussels Zaventem airport.

KLM is also buying a 20 per cent stake in the new airline, which will be 60 per cent controlled by Sabena. The joint venture is due to become operational next month.

BA and KLM had discussed for some time the joint venture with Sabena, but negotiations were stalled in recent months because both BA and KLM were involved in complex negotiations to buy equity stakes in US airlines.

However, after the collapse of the United Airlines buy-out, BA revived negotiations with Sabena and KLM. The Dutch airline had also completed by then its negotiations with the US authorities over its acquisition of a stake in Northwest Airlines.

BA said yesterday it would finance its investment using part of the proceeds of a recent $310m rights issue. KLM would finance its investment out of liquid assets.

The new venture is expected to come under heavy scrutiny from the European Commission and is likely to test its stance on airline competition. Mr Michael Bishop, chairman of British Midland, the second tier British carrier, has already warned he would campaign against the Sabena deal on anti-competitive grounds. However, the three partners in the Sabena venture said they would remain autonomous and continue to compete commercially.

Apart from developing its new European hub operations at Zaventem airport, the joint venture will study plans to link Brussels with Manchester for services to North American and the Far East, and with Amsterdam for selected African and South American cities. The three partners also expect Sabena to triple in size over the next six years.

Lex, Page 20

Japanese stock market surge puts Nikkei index at all-time high

By Stefan Wagstyl in Tokyo

THE Japanese stock market soared to a record yesterday, taking the Nikkei index over 38,000 for the first time in a classic year-end rally.

The Nikkei closed at 38,062.42, up 258.89, with most brokers reporting buying from all kinds of investors including Japanese individuals, their wallets flush with end-of-year-bonuses.

After lagging other big markets for most of the year, Tokyo has made up much of the lost ground in a spurt which started in early November and began to accelerate in the middle of the month. The Nikkei is 26 per cent higher than it was on December 31.

The surge caps a decade of unprecedented advances by the market. Foreign analysts who warned that nothing could go up so fast for so long were repeatedly proved wrong – most notably in the way Tokyo weathered the October 1987 crash.

Surveys of the past 10 years have prompted some analysts to make equally stupendous claims for the future.

The trigger for the most recent stage of the long advance seems to have been remarks made in mid-November by Mr Satoshi Sumita, governor of the Bank of Japan, hinting that he was slightly less worried about inflation than he had been for much of the year.

This reinforced some fund managers' belief that, after a sustained advance, interest rates in Japan were ready to fall.

Not everyone is wildly bullish. Mr Hirohiko Okumura, chief economist at Nomura Research Institute, predicted a "mild increase" in Japanese stock prices next year. This year's rise has been concentrated in the 225 shares which comprise the Nikkei index. The more broadly-based Topix index of 1,000 stocks has risen 22 per cent, against 26 per cent for the Nikkei.

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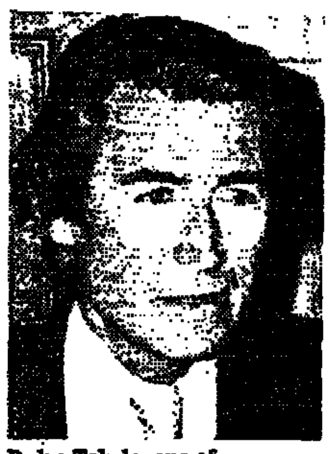
INTERNATIONAL COMPANIES AND FINANCE



Pedro Toledo: one of Spain's foremost bankers

BBV chief dies after liver illness

By Tom Burns in Madrid

THE SPANISH BUSINESS world was stunned yesterday by the announcement that Mr Pedro Toledo, co-chairman of Banco Bilbao Vizcaya (BBV) and one of the foremost post-war bankers in Spain, had died aged 54.

He died late on Monday night at the Mayo Clinic, Minnesota, where he was awaiting a liver transplant. Mr Toledo's illness, diagnosed three months ago following his return from a holiday in Turkey, had been a closely-guarded secret.

As chairman of Banco Vizcaya he joined forces last year with Banco de Bilbao's chairman, Mr Jose Angel Sanchez Asiain, to create BBV. The two men presided jointly over Spain's largest banking group.

Mr Toledo was widely expected to be BBV's sole chairman on the completion at the end of next year of the initial stage of the merger process.

Mr Toledo's chief achievement was the manner in which he rapidly developed a strong financial group around Banco Vizcaya in the late 1970s and early 1980s by cutting the burden of industrial risks in the parent bank and acquiring a network of regional institutions that had fallen foul of Spain's banking crisis.

An economist from Bilbao's Deusto University, Mr Toledo was credited with creating a closely-knit team of highly skilled and motivated young bankers at Vizcaya and his ability as a talent spotter was legendary.

BNL agrees on capital increase

By John Wyles in Rome

A L816.8bn ($6.83bn) capital increase was duly approved by a special meeting of Banca Nazionale del Lavoro shareholders yesterday, but not without further polemics between the bank's management and the suppliers of its new capital.

Both INA, Italy's state controlled insurer, and INPS, the state pensions body, believe they signed an outline agreement with Mr Nerio Nesi, the then BNL president, at the end of June which aimed at various types of collaboration in return for their underwriting the capital increase.

After the resignation on Tuesday of the INA chairman, Mr Antonio Longo, in protest at the apparent reluctance of BNL's new chairman, Mr Giampiero Cantoni, to implement the new agreement, Mr Mario Bartolozzi, INA's deputy director general, registered a public complaint to the shareholders' meeting yesterday.

"INA had expected that before this meeting the clauses of the agreement would have been implemented which provide for the joint distribution of financial and insurance products and the transfer to INA of the bank's insurance activity," he said.

For his part, Mr Cantoni made it clear that he disputed this interpretation of the June agreement and that INA could not be given any "exclusive" rights over BNL's insurance business.

The capital increase is to be followed next year by another of L348bn which is reserved for the Italian Treasury.

Until then, the Treasury's stake in BNL will have fallen from 74.53 per cent to 58.66 per cent, while INA's rises from 12.1 per cent to 20.25 per cent and INPS from 8.46 to 17.23 per cent.

■ Cir, Mr Carlo De Benedetti's holding company, yesterday applied to a Milan court for the sequestration of the 11.7m shares in Amef owned by the Formenton family. Cir says it has a written agreement to purchase this holding by the end of January 1991.

The Formentons have recently abandoned the alliance with Mr De Benedetti in Amef which gave the Italian financier control of the Mondadori publishing group through Amef's 50.3 per cent ownership of the group's ordinary shares.

United Mizrahi Bank's managing director quits

By Hugh Carnegy in Jerusalem

MR MICHAEL Zvineri, the managing director of United Mizrahi Bank, Israel's fourth largest financial group, has resigned following a public call for his removal by the Bank of Israel because of concerns over the bank's performance.

Mr Zvineri agreed to go at a special board meeting in Tel Aviv convened in response to the highly unusual central bank action. His resignation "in no way" reflected acceptance of criticism levelled against him, he said.

Bank of Israel officials said their move was prompted by concerns chiefly over lending policy at the bank, saying there was a lack of sufficient controls over credits.

Mizrahi, controlled by the United Mizrahi world religious Zionist movement, has, like other Israeli banks, been forced to make hefty provisions for bad debts in recent years.

It reported net profits in the first three quarters of 1989 of Shl 14.5m ($7.4m), down from Shl 22.1m last time and following a loss for the whole of 1988. Bad debt provisions in the period were up more than 30 per cent to Shl 106.8m.

The Bank of Israel stressed there was no suggestion of malpractice by Mr Zvineri. Nor had it any reason to question the overall stability of Bank Mizrahi, but management shortcomings had to be addressed.

Mr Zvineri's place is being taken by Mr Yitzhak Yager whose position as chairman is being filled by Mr Chaim Kuberski, a former senior government official.

Ford sees decline in US vehicle markets

By Anatole Kaletsky in New York

FORD MOTOR, the world's second largest automotive manufacturer, predicted a further significant decline in the US car and truck market next year after the 5.7 per cent fall in sales recorded in 1989.

Ford said the rapid additions to manufacturing capacity, especially by Japanese companies expanding both in the US and Europe, would result in worldwide excess capacity of 8.4m units in the early 1990s.

Much of this excess, equivalent to roughly 20 per cent of worldwide production, seems likely to be concentrated in the US. All the main Japanese car makers have announced plans to accelerate their US plant building programmes.

As a result, motor industry analysts expect Japanese "transplant" production in the US to exceed 2m units by 1991, rather than 1993, as many had originally expected. In October the Japanese transplant production rate passed the 1m mark for the first time.

Mr Donald Petersen, Ford's chairman, said in his annual review that US car and truck sales would fall to 14.5m units in 1990, 2.3 per cent lower than the 14.9m sales estimated for this year. Total car and truck sales last year were 15.8m units.

Ford's 1990 estimate is more pessimistic than the average forecast produced by the US economics profession, which is expecting 15m units to be sold next year, according to the latest figures published by Blue Chip Economic Indicators.

The motor group's relative caution is particularly significant because it has recently been the most successful of the US-based car manufacturers. This year it has been the only non-Japanese company to increase its US market share.

Ford's pessimism about the US car market seemed to be due partly to its low growth expectations for the economy as a whole. Ford forecast that GNP would grow by only 1.5 per cent next year, after a growth rate of 3 per cent this year. The Blue Chip consensus forecast for next year shows GNP growth of 1.7 per cent.

Deutsche Bank's profits jump 33%

By Haig Simonian in Frankfurt

PROFITS surged across the board at Deutsche Bank, West Germany's biggest bank, in the first 10 months of this year, confirming expectations that 1989 will be a record year, excluding extraordinary items.

Hinting strongly at a dividend increase beyond the DM12 ($6.92) a share paid in 1988, Mr Hilmar Kopper, the new chief executive, said he was "confident" about earnings for 1989 as a whole. Group pre-tax profits last year amounted to DM3.1bn.

Partial group operating profits jumped by 33 per cent to DM3.18bn in the first 10 months of this year from the same period in 1988. Bolstered by the booming German economy, interest earnings rose by 18.2 per cent to DM6.24bn, while fee income soared almost 23 per cent to DM2.32bn.

Full operating profits, which are not revealed but include earnings from trading on the bank's own account, rose by 30.6 per cent at group level and by just over 25 per cent at the parent bank. In line with German practice, both comparisons are made against 10/12ths of last year.

Despite the large rises, Mr Kopper described the results as merely "satisfactory to good." Part of the improvement had stemmed from the consolidation of newly-acquired subsidiaries, and the bank's main aim remained to raise the underlying quality of its earnings further, he stressed.

Some improvements are already in train. The long-standing erosion in domestic interest margins has now been stopped, with the margin on parent bank interest business stabilised at last year's level of 2.45 per cent.

Fee income had been particularly boosted by the surging German stock market, with the rise in share prices more than compensating for more difficult conditions in fixed-income securities.

Defending the rise in fee income against criticism that it was below the increase posted at Dresdner Bank earlier this week, Mr Kopper attributed the lower figure partly to the "astonishingly high level" reported last year, when Deutsche Bank's earnings were swollen by its Luxembourg unit trusts.

Cost increases were kept down to a minuscule 0.7 per cent to DM3.94bn at the parent bank. Reflecting the growing role being played by foreign subsidiaries, which now account for 40 per cent of the bank's business volume, Mr Kopper said that staff and other operating costs in the group had risen by 6.9 per cent this year.

Consolidation is the key for new chief

IT WAS a creditable performance for a first-timer, although Mr Hilmar Kopper, Deutsche Bank's new speaker (chief executive), is hardly a stranger to the spotlight, writes Haig Simonian.

Even before his elevation this week, he had masterminded the bank's two biggest acquisitions; its recent £950m ($1.5bn) purchase of Morgan Grenfell, the UK merchant bank, and the December 1986 takeover of Banca d'America e d'Italia for $603m.

But for all his talents as a highly experienced financier, who joined Deutsche Bank straight after school, the spirit of Mr Alfred Herrhausen, the previous speaker who was murdered by terrorists last month, pervaded yesterday's proceedings.

Workmanlike and straightforward, Mr Kopper exhibited just those qualities which explained why his colleagues appointed him as their mouthpiece earlier this week. Answering questions with studied caution, Mr Kopper represents a return to a less flamboyant style than his eminent predecessor.

Mr Herrhausen shone in his range and speed. Razor-sharp answers would come without a second's pause.

Mr Kopper strengths are different, which will only be appreciated fully in the next two to three years, when Mr Herrhausen's momentum has ebbed.

Mr Kopper has already indicated how he sees the bank progressing in the 11 years ahead of him as speaker, until he reaches the mandatory retirement age of 65.

Consolidation will be the key, at least in the short term.

Explaining that Deutsche Bank has no more big acquisitions in the pipeline, the new chief emphasised integration as one of his main aims.

After a breathtaking string of acquisitions in the past two years, pulling together the bank's new activities will certainly be a challenge.

In Spain, Deutsche Bank's stake in Banco Comercial Transatlantico has now reached 67.2 per cent; in Austria, Antoni, Hacker, the small bank bought in July, is to be renamed Deutsche Bank (Austria) and take up full treasury and corporate finance activities in the first quarter of next year. In London, Deutsche Bank's share in Morgan Grenfell is now up to almost 45 per cent, with another three weeks for its bid to go.

"Yes and no," replied Mr Kopper to a question on whether the bank is now satisfied with its international coverage. "We can never say we are fully satisfied," he added.

With France the obvious gap, further development of the bank's international network was one of the most important challenges, he said.

Mr Kopper does not envisage doubling the bank's balance sheet in the next five years, as has happened in the previous half decade. Rather, integration and improvement of the quality of profits are his goals.

"There's a lot to do, and the better and quicker we do it, the sooner will be our success," he said.

Few present yesterday would wish Mr Kopper anything but success.

Order surge gives MAN firm start to year

By Andrew Fisher in Frankfurt

MAN, the West German truck, printing machinery and engineering group, has made a powerful start to its current financial year to June 30 1990, with a 19 per cent jump in new orders in the first four months to DM6.2bn ($3.57bn).

After the July-October order surge, orders shot ahead by a further 27 per cent in November, said Mr Klaus Götte, chief executive.

He forecast that profits in 1989-90 would be at least as high as last year, when net income rose by 26 per cent to DM254m on turnover which was 14 per cent higher at DM17.1bn.

This financial year, MAN will make a rights issue, using part of the DM250m of new nominal capital which will be put to the next annual meeting for authorisation.

Mr Götte emphasised that MAN's financial position was strong, with liquidity of some DM1.7bn. It intended to finance its acquisitions and participations – it has recently announced two purchases in the truck sector, in Austria (Steyr-Daimler-Puch) and Spain (Enasa) – from its own capital without taking on new debt or running down its liquidity.

Mr Götte sounded a cautious note on next year's wage negotiations, though, following the demand by the big IG Metall trade union for higher pay and shorter hours. He called for moderation, especially in view of the challenges of the internal EC market and the opening up of eastern Europe.

MAN's best earning subsidiaries last year were again MAN Nutzfahrzeuge (trucks), which nearly doubled earnings to DM97m, and MAN Roland (printing equipment), with a 26 per cent improvement to DM58m. On the engine side, MAN B&W Diesel finally reached break-even after losing DM17m the year before.

Net $1bn loss at Integrated Resources

By Anatole Kaletsky in New York

INTEGRATED Resources, the floundering New York financial services company which has been one of the main victims of the collapse of the US junk bond market, yesterday reported a net loss of $1.04bn in the second quarter, much bigger than the $600m loss it estimated four months ago.

The massive increase in the reported losses suggests holders of the company's $600m of junk bond debt may recover even less than the 50 cents on the dollar which many had been expecting since Integrated first defaulted on its interest payments in June.

Integrated said the main reason for the jump in its reported losses was "a very substantial decrease" in the estimated proceeds from planned asset sales.

In particular, Integrated struck a deal in August to sell for $310m its core financial services businesses, which involved financial planning and asset management for individual clients. This deal fell through in October, after the collapse of the junk bond market.

Integrated recently entered into a new arrangement to sell the core units for an undisclosed sum to a different buyer, Broad Inc.

Yesterday's announcement said the Broad agreement would involve a "very substantially decrease" in the originally hoped-for $310m selling price.

Integrated added that its life insurance operations had also been written down to sharply lower values, reflecting lower than anticipated disposal proceeds.

In all, the second quarter's loss from discontinued operations came to $618m, while another $422m was lost on what are still regarded as "continuing operations." These operations generated quarterly revenues of only $70.6m.

The losses from continuing operations included a $292m write-down in the carrying values of businesses and assets and $110m in expenses related to restructuring plans.

Beyond these one-time charges, Integrated lost a further $58m from continuing operations in the second quarter. This part of the loss was attributed mainly to interest expenses on the company's debt.

Integrated said its quarterly results had been delayed because of changes in its business plans resulting from its deteriorating liquidity position. The company said it would commence work immediately on completing its financial statements for the third quarter.

US to raise capacity for paper-making

By James Buchan in New York

THE US paper industry, flush with profits from nearly four years of booming markets, plans to increase its paper-making capacity by more than 10 per cent in the next three years to maintain its one-third share of the world market.

The expansions, outlined in response to a questionnaire conducted by the American Paper Institute, are the most ambitious of recent years.

According to the institute's annual capacity survey, published yesterday, capacity to make paper and paperboard should increase some 3.3 per cent a year to 1992, compared with a rate of 2.1 per cent a year in the 1980s.

The most striking new element in industry planning this year are projects to use recycled paper, above all newsprint, in place of wood pulp as the source of paper fibre. Cities and towns all over the US are running out of dump space and have instituted newspaper-recycling programmes, but have been hampered by a severe shortage of conversion capacity within the industry.

The institute said industry consumption of recyclable paper should increase by 5.9 per cent a year up to 1992 untill it makes up 27.2 per cent of all the industry's fibre.

The survey also suggests that production capacity will expand sharply in newsprint – where annual increases are expected to be some 5.1 per cent in the next three years – in coated papers and linerboard. These figures may add to Wall Street's worry that the markets in the early 1990s will not be robust enough to absorb the new capacity.

Profits fall warning from Dun & Bradstreet

By Roderick Oram in New York

DUN & BRADSTREET, the leading business information group, has told analysts that operating profits from its credit service will fall by nearly $100m next year.

Mr Robert Weissman, president and chief operating officer, said the company would not "whitewash" the problems of the credit service, a primary tool for US businesses.

Dun & Bradstreet admitted last month that companies were buying fewer credit reports from it in the wake of allegations of deceptive sales methods and inaccurate information. Without admitting or denying guilt, it settled in June for $18m lawsuits filed by customers who alleged they were overcharged.

The cost of restructuring the credit operation plus other factors will cut net profits next year by about 10 per cent to $2.80 a share, the company said in November. Wall Street was taken aback by the news since the company had reported unbroken profit growth for decades.

Judging by Mr Weissman's comments to analysts, the problems of the credit division is having a greater impact on its financial performance than Wall Street realised. The company does not give operating profits of the credit services but analysts estimated a $100m decline might represent a drop of about 50 per cent.

The company told analysts that credit services in the US would resume "low double-digit" growth and "somewhat higher operating income growth" by the middle of 1991.

Last year the company's Business Information Services division reported operating income of $76.1m on operating revenues of $1.5bn. Credit services in the US and abroad accounted for $797.1m.

In addition to its famous credit services, Dun & Bradstreet has a range of other major divisions, including the Nielsen television ratings and marketing services division and Donnelley, the leading US publisher of Yellow Page directories.

Brazil to sell state-owned airline in 1990

By John Barham in Sao Paulo

VASP, Brazil's only government-owned airline, is to be privatised in 1990. The carrier, owned by the state of Sao Paulo, is struggling with debts of $600m.

The state legislature approved on Tuesday a government proposal to sell the airline, Brazil's second-largest domestic carrier, to the private sector.

Mr Marcello Antinori, VASP's president, said: "The sale will probably take place in June or July next year. A lot of preparatory work has to be done first."

The company expects to suffer a small operating loss or, at best, break even this year. In 1988 it reported a US$40m operating loss.

Receivership looms again for Bell

By Chris Sherwell in Sydney

LEGAL ACTION by the National Companies and Securities Commission (NCSC), Australia's stock market watchdog, has thrown fresh doubt over the future of Bell Resources, the 58 per cent-owned subsidiary of the beleaguered Bond Corporation. Receivership is again looming as a possibility.

The Western Australian Supreme Court yesterday agreed to hear an NCSC application for Bell Resources to be placed in receivership. But in a move embarrassing to everyone, it put off a hearing of the matter indefinitely because a judge was not available.

The NCSC was acting on its finding that Tuesday's agreement between Bond Corporation and Adelaide Steamship, the Australian conglomerate, on board representation at Bell Resources might contravene section 11 of the Acquisition of Shares Code, which prevents shareholders moving to control of a company without a takeover. Adsteam is a 19.9 per cent shareholder in Bell Resources.

In response, Adsteam indicated yesterday that it would seek leave to appeal against the court's decision.

The NCSC said it would discuss the matter in the hope of resolving it "in the interests of all parties, including minority shareholders and bondholders, without the need for further litigation."

The irony is that it was Adsteam which initially pushed for the receivership of Bell Resources last Friday as a matter of "critical urgency." It then withdrew its petition on Tuesday once Bond agreed to the board representation Adsteam had been seeking to protect the value of its holding.

The NCSC, which made itself a party to the proceedings on Monday, indicated on Tuesday it would accept the Adsteam-Bond agreement, but later decided it might breach the code and asked the court to recall the receivership petition.

If this were to go through, it could have the peculiar consequence of hurting the minority shareholders the NCSC wishes to protect, because many of them believe Mr John Spalvins, who heads Adsteam, offers a better chance for them to salvage more.

Mr Justice Seaman, hearing the case, yesterday criticised the NCSC's "hot and cold" attitude and warned that any extended period of uncertainty resulting from its action was the result of its "vacillation."

With Tuesday's decisions not yet sealed, it is unclear where matters go from here. Bell Resources is still expected to hold its annual meeting next week, presumably with its new board in place. Expanded to nine seats, it comprises four Adsteam appointees, including Mr Spalvins, four representatives of Bond Corporation and, as chairman, Mr Geoff Hill, a merchant banker close to Mr Spalvins.

The absence of a representative of minority shareholders is clearly a problem, and offers a probable way out of the complex tangle. Mr Spalvins, meanwhile, wants to use his influence to try to recover Bell Resources' A$1.2bn (US$944m) "deposit" to Bond Corporation for its long-mooted purchase of Bond's brewing assets.

Minproc lifts resources profile

By Chris Sherwell

MINPROC Holdings, the expanding Perth-based mining and engineering group, yesterday announced the A$305m (US$240m) purchase of resource assets held by the National Mutual Life Association, Australia's second largest insurance group.

The most significant asset being acquired is a 24 per cent stake in the Cooljarloo mineral sands to titanium pigment project in Western Australia. The deal lifts its holding to 50 per cent, equal with its partner, Kerr-McGee of the US, and heightens the group's cash flow.

Also purchased are a 26 per cent stake in the German Creek coking coal mine in Queensland, 20 per cent of the Warkworth coal mine in New South Wales and 100 per cent of Basin Oil, a Cooper Basin oil and gas producer.

Minproc will thus develop a more diversified resources base stretching into the energy sector. On the engineering side, apart from the Cooljarloo project it has a fully-owned sodium cyanide plant in Queensland and is involved in other ventures abroad, notably in West Africa.

The terms of yesterday's announcement are highly favourable to Minproc. The company will place 50m of its shares with National Mutual at A$1 each and receive from the National Mutual a A$255m soft loan on which it will make annual principal repayments over 10 years, starting in two years' time.

Minproc will also make a one-for-three renounceable rights issue at 80 cents a share to raise A$32m for existing and future projects. The issue has been fully underwritten by Rothschild Australia and Rivkin & Co, and along with the placement will double Minproc's issued share capital to 200m shares.

National Mutual, having decided to gain exposure to resources through listed entities rather than direct investment, will become the largest single shareholder in Minproc, with 25 per cent of the increased equity.

Mr Sam Kavourakis, National Mutual's chief general manager, said the most appropriate strategy for it to achieve the flexibility it wanted was to form an association with a listed mining house.

Mr Bob Wilde, Minproc's managing director, said Minproc would continue to pursue opportunities in downstream processing in order to increase returns from resources assets.

O & Y joins bidding for Tokyo project

THE Reichmann brothers, through their main holding company, Olympia & York Developments, have joined a consortium of Japanese companies to bid on a large property development in the Tokyo Bay area, writes Robert Gibbens.

In all, four Japanese-led groups have been set up to bid on the multi-billion dollar project, each including Japanese banks, trading houses and construction groups. The Government, which owns part of the site, is organising the tender process, and as owner of part of the site insists on a mix of office, housing and retail development.

O & Y, developer of London's Canary Wharf development, confirmed in Toronto it will be a partner in a consortium with Japanese institutions. Mitsui is believed to be a member.

Canadians approve two offers for Connaught

By Robert Gibbens in Montreal

CANADA'S federal government has approved both the French and Swiss offers for vaccine-maker Connaught BioSciences, of Toronto. It will now be up to Connaught shareholders to decide, provided that Switzerland's Ciba-Geigy remains in the race.

Institut Mérieux, the Rhône-Poulenc subsidiary, bid C$37 a share for Connaught, valuing the business at nearly C$1bn (US$862m).

Mérieux already owns about 12 per cent of Connaught. A week ago it said that it had acceptances which brought this to 56 per cent once its bid was approved and that it could take up the stock tendered. Ciba-Geigy, with Chiron Corp of the US, bid C$30 a share for Connaught.

Both Mérieux and Ciba-Geigy had promised the Government that they would provide Connaught with several hundred million dollars in research spending and new technology.

Mérieux's bid was to expire at 1am this morning and Ciba-Geigy's one hour earlier.

When trading in Connaught shares resumed following the announcement they jumped C$4¾ to C$36¾.

In Ottawa the Government said Connaught had unsuccessfully sought a Canadian partner, and either foreign bid could bring important advantages.

● Laurentian Bank of Canada reported a 53 per cent gain in earnings for fiscal 1989 and sees a strong year ahead. Profit was C$34.4m or C$1.82 a share, up from C$22.5m or C$1.05 a year earlier.

INTERNATIONAL CAPITAL MARKETS

World Bank braves quiet trading with L200bn issue

By Andrew Freeman

EUROBOND markets returned to their seasonal torpor yesterday, as a few deals in smaller sectors emerged to patchy interest. Tuesday's $400m issue for the Republic of Austria traded freely for the first time and was bid at the issue price of 99.50. Good sales were reported overnight in Tokyo.

Banca Commerciale Italiana (BCI) braved a strike of bank staff in Italy to bring a L200bn five-year deal for the World Bank. The bonds carried a 12¼ per cent coupon and were priced at 101.55. Proceeds were swapped into floating-rate US dollars.

A BCI official said the bonds were tax-exempt for Italian investors and that demand would be mainly domestic. The paper was quoted outside fees at less 1.85 bid.

In France, Crédit Commercial de France was the lead manager of a one-year FFr700m issue for Barclays Bank. The bonds were quoted on fees at less ⅛ bid, a discount equivalent to full underwriting fees. Cynical traders said the deal had a league-table flavour to it, but there was genuine institutional demand for the paper. Proceeds were swapped into floating-rate funds.

Banco Bilbao Vizcaya led a Pta15bn five-year Matador issue for the European Investment Bank to a good reception. The bonds offered a 13.1 per cent coupon and were quoted at less 1.35 bid, comfortably inside full fees of 1⅞ per cent.

Secondary trading was thin, with the dollar market recording a slight blip around the US retail sales figures. Bond prices in Germany rose by around ¼ point across the board, encouraged by wholesale prices data. However, trading remained light amid an ongoing lack of retail interest.

● The World Bank confirmed the issue of $150m of two-year bonds, offered outside the US to central banks, government agencies and international bodies. Invitations to subscribe closed on December 6.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
FMC Corp§◆(a)	75	6¾	100	2005	2½/1½	Morgan Stanley Int.
SWISS FRANCS						
Footwork Corp§★★◆(b)	70	Zero	100	1994	n/a	Banca Svizzera Italiana
FRENCH FRANCS						
Barclays Bank Plc◆	700	10⅛	100.80	1991	½/⅜	CCF
LIRA						
World Bank◆	200bn	12¼	101.55	1995	1¾/1⅛	BCI
PESETAS						
European Inv.Bk.◆	15bn	13.1	100	1995	1/⅝	Banco Bilbao Vizcaya
YEN						
Girozentrale Vienna◆	10bn(d)	(c)	101⅝	1993	1⅝/⅞	Daiwa (Europe)
State Bk of S.Australia◆(e)	3.5bn	7½	101⅛	1992	1⅛/⅞	Nomura Int.

◆Final terms. §Convertible. ★★Private placement. a)Issue update. b)Issue update. Put option 31/3/92 at 107⅞ to yield 3.202%. c)Nikkei-linked coupon. d)Initial tranche 5bn. e)Nikkei-linked redemption.

Malaysia halves issue minimum

MALAYSIA is to halve the minimum value of corporate bond issues to 25m ringgit from the beginning of next year, Reuter reports.

Mr Jaffar Hussein, governor of the central bank, said the move was aimed at attracting more companies to the local bond market.

The previous 50m ringgit minimum was being cut after appeals from businessmen, he said.

Mr Jaffar also said lead managers would, from next year, be allowed to act as depositories for their own issues. Currently, lead managers for bond issues have to appoint a second party to hold the paper.

The central bank chief said he looked forward to a boom in security-backed bond issues and active trade in corporate paper well before the end of the next decade.

"By then, at least one credit rating agency will be fully functioning and the financial futures market will be in place," Mr Jaffar said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	100½	100⅞	0	-0¼	8.50
Alberta 9¼ 95	600	104	104⅜	0	-0⅛	8.42
Austria 9⅝ 93	140	103	103½	0	-0⅛	8.42
B.F.C.E. 8⅜ 94	175	99¾	100⅛	0	0	8.36
B.F.C.E. 9¼ 95	150	103¼	103¾	0	-0⅛	8.47
Brit. Tel. Fin. 9⅞ 98	250	104¼	104¾	0	+0⅛	8.63
Canada 9 96	1000	103⅝	104⅛	0	0	8.17
C.C.C.E 9¼ 95	300	103	103½	0	-0⅛	8.44
C.N.C.A 9⅞ 93	150	102¼	102⅝	0	-0⅛	8.56
Credit National 8¼ 93	200	99½	100	0	-0⅛	8.31
Credit National 7⅜ 92	100	97¾	98¼	0	-0⅛	8.31
Credit National 9½ 92	160	†102⅜	102⅞	0	-0⅛	8.48
Dai-Ichi Kan 9⅝ 92	150	102⅜	102⅞	0	0	8.50
Denmark 8¼ 94	150	†99	99½	0	0	8.43
E.E.C. 7 91	100	97½	98	0	0	8.28
E.E.C. 10 93	140	104⅜	104¾	0	-0⅛	8.35
E.I.B. 8½ 99	150	99¾	100⅛	0	+0⅛	8.50
Eurofima 10¼ 93	100	†104⅝	105	0	0	8.38
Elec. De France 9 98	200	102⅞	103⅛	0	-0⅛	8.47
Elec. De France 9½ 99	200	105⅛	105⅝	0	-0⅛	8.60
Finland 9 96	250	102¼	102½	-0⅛	-0⅛	8.51
Fina.Exp.Cd. 8½ 92	200	100	100½	0	-0⅛	8.34
Fina. Exp. Cd. 9⅜ 95	200	103½	104	0	0	8.53
Ford Motor Credit 8 91	250	†99	99½	0	0	8.59
Gen.Elec.Cap.Corp. 9 93	500	†101⅞	102⅛	0	-0⅛	8.34
Gen.Elec.Cap.C/p.10 1/2 91	300	102⅛	102½	0	-0⅛	8.48
G.M.A.C. 8⅜ 96	500	†99⅝	100⅛	0	0	8.78
G.M.A.C. 9 96	300	100⅝	101⅛	0	-0⅛	8.80
Gen. Mtrs.Corp. 9⅛ 92	200	101½	102	0	0	8.36
IBM Credit Corp. 8⅝ 92	400	100⅜	100¾	0	-0⅛	8.41
IBM Credit Corp. 8⅞ 91	250	100½	101	0	-0⅛	8.40
IBM Credit Corp. 9 92	250	101½	102	0	-0⅛	8.18
IBM Credit Corp. 9½ 92	250	101¾	102¼	0	-0⅛	8.43
Italy 8½ 94	1500	100¼	100⅝	0	-0¼	8.39
Italy 9½ 95	1000	104⅜	104⅞	0	+0⅛	8.47
Italy 9⅝ 99	1000	105⅞	106⅛	0	-0⅜	8.64
Itoh C. W/W 4⅝ 94	1000	†111	112	0	+0¼	1.94
Japan Dev. Bank 10 96	200	107⅛	107½	0	-0¼	8.47
KFW Intl. Fin. 9 94	300	101⅞	102⅜	0	-0⅛	8.42
L.T.C.B. of Japan 9¼ 92	200	101⅜	101⅞	0	-0⅛	8.58
Nippon Tel.&Tel. 9⅝ 98	250	104⅜	104¾	0	-0⅛	8.63
Norway 8¼ 93	500	101¼	101¾	0	-0¼	8.18
Portugal 8¼ 91	300	†99	99½	0	0	8.84
Sumitomo Corp. W/W 4 93	1500	128¾	129¾	+2⅞	+5¼	-3.51
Sweden 8⅜ 96	200	101⅝	102	0	-0⅛	8.34
Toyota 9½ 91	200	101⅝	102⅛	0	-0⅛	8.44
Toyota Mtr.Corp. W/W 4 93	1500	†105½	106½	0	-1¼	2.19
Victorian Rep 11⅝ 92	150	105⅝	106⅛	0	-0⅛	8.73
World Bank 8⅜ 99	1500	101	101⅜	0	0	8.39
World Bank 9 97	300	102¾	103⅛	0	-0¼	8.46
World Bank 9 93	300	102	102⅜	0	-0¼	8.26
World Bank 9¼ 98	300	104¼	104½	0	-0⅛	8.53
World Bank 9⅝ 99	500	106⅝	106⅞	0	-0⅛	8.52
World Bank 9¾ 96	300	106⅛	106⅝	0	+0¼	8.38

Average price change... On day +0¼ on week +0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	92⅛	92⅝	+0¼	+0½	7.90
Austria 6¾ 99	750	94	94⅝	0	0	7.62
Bk.Frgn.Econ.USSR 7 96	750	†93¾	94⅜	0	+0⅛	8.19
Bank of Tokyo 5⅜ 93	100	93⅛	93⅞	-0⅛	-0⅛	8.07
Commerzbank o/s. 5⅜ 93	300	93¼	93¾	0	-0⅛	7.83
Credit Foncier 6¾ 99	500	93⅝	93⅞	+0⅛	+0⅛	8.75
E.I.B. 6¼ 99	600	90⅞	91½	0	+0⅛	7.63
E.I.B. 6½ 99	300	94¾	95⅛	+0⅛	+0¼	7.29
E.I.B. 6⅝ 96	600	95¾	96⅛	0	0	7.43
E.I.B. 6⅞ 95	300	97⅝	98⅜	0	+0⅛	7.30
Euro.Coal& Steel 5⅞ 97	175	89⅝	90¼	0	0	7.76
Eurofima 6¼ 96	100	91⅞	92⅛	+0⅛	-0½	7.85
Elec De France 5¾ 97	300	90⅞	91⅛	0	-0⅜	7.39
Hydro-Quebec 6¾ 99	300	92⅝	93⅜	0	-0⅛	7.83
Japan Dev. Bk. 5⅜ 95	300	90¼	91	+0⅛	0	7.55
Japan Finance 5¼ 97	100	88¼	88⅞	0	-0¼	7.88
I.A.D.B. 7¼ 99	300	97	97⅝	0	+0⅛	7.66
Ireland 6½ 97	300	91⅛	91⅝	+0⅛	+0⅛	8.09
Ireland 7¾ 99	500	95⅞	96½	+0⅛	-0½	7.89
Malaysia 6¼ 94	150	93⅛	93⅞	0	0	7.99
Nat. West BK. PLC 6 98	300	88⅛	88⅞	+0¼	+0⅛	7.92
N.H.L. Finance 6¼ 95	200	†88¼	88¾	0	0	8.82
Nippon Telg.&Tel. 6 95	400	93½	94¼	+0⅛	-0⅛	6.51
Oesters. Kontbk. 5 93	300	92⅛	92¾	+0⅛	+0⅜	7.78
Portugal 5¾ 92	150	94⅛	94⅝	0	-0⅛	8.07
Portugal 6⅝ 95	150	94¾	95⅜	0	+0⅛	7.74
Privatbanken 5¼ 93	150	91¾	92½	0	0	8.12
Royal Insurance 5½ 92	300	94¼	94¾	0	0	8.17
Turkey 6½ 95	500	91⅛	91⅞	0	-0½	8.51
Union Bk.Finland 5½ 94	200	90¼	91	0	-0¼	8.28
World Bank 6 98	500	88⅞	89⅜	0	0	7.74
World BK. 6¼ 97	600	91⅜	92	0	0	8.53
World Bank 6¾ 99	600	93⅞	94⅜	0	0	7.62

Average price change... On day +0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†89	90	-1	-1	7.03
Asfinag 5 03	100	†85	85½	-0⅛	-0½	6.67
B.F.C.E. 4½ 98	200	†86½	87½	-0⅜	-0⅞	6.52
B.M.W.Fin.Neth. 5 13	150	†82	84	-0½	-2¼	6.42
Britannia B/S. 4¼ 94	100	†86	88	-0⅜	0	7.78
CIR. Int. W/W 3 93	125	†88	88¼	0	-0⅞	6.82
Credit Lyonnais 4¾ 00	100	†83½	84	-0½	-3¼	6.99
E.I.B 4⅝ 98	150	†86	87	-0⅝	-0⅝	6.75
Fin. Exp. Cd. 8¼ 92	75	†99¼	99½	+0⅛	-1⅛	8.49
Fletcher Chall. 4⅞ 98	150	†81½	83¼	-0⅞	-0⅞	7.83
I.A.D.B. 6 2004	200	†95	95½	+0⅛	-0⅝	6.51
Kobe City 4⅜ 98	150	†85	86	-1	-2	6.92
Leeds Perm. B/S. 4⅛ 93	200	†88½	89½	0	+0⅛	8.00
Malaysia 5¼ 98	100	†79	80	+0½	-4¾	8.74
Maxwell Comm.Crp. 5 95	150	†82¼	83	0	+3¼	9.07
Nat. Bk. Hungary 5½ 94	75	†85½	87½	-0½	-0¼	8.95
Nationwide Ang.B/S. 4 93	200	†87½	89½	-1¼	+0⅛	7.86
Prov. Newfoundland 5 03	150	†84	85	0	-0½	6.74
Thailand 4⅜ 95	200	†83¾	84	-0⅝	-2⅝	8.35
World Bank 5 03	150	†85	85½	-0⅛	-2⅛	6.68

Average price change... On day -0⅛ on week 1

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅞	100⅛	0	0	6.09
Canada 5⅜ 93	80	98¼	99	0	0	5.97
Eurofima 5 1995	20	95¼	95¾	0	-0⅛	6.00
E.I.B. 4⅞ 93	30	96⅛	96⅝	0	0	6.09
Ireland 5⅛ 93	30	96⅛	96⅞	+0⅛	0	6.25
Norway 5⅛ 95	50	96¾	97	+0⅜	-0⅛	5.82
Sweden 4⅝ 93	50	95⅝	95⅞	0	0	6.03
World Bank 5⅛ 98	10	94¾	95⅜	0	0	5.90
World Bank 7 94	20	103⅝	104⅛	0	-0⅛	5.95

Average price change... On day +0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅝	97⅛	-0⅛	+0⅜	11.11
Abbey Nat. 11⅝ 93 £	100	95⅞	96⅜	-0⅛	+0⅜	13.17
Aegon 7¾ 92 FL	100	100⅝	101⅛	+0⅜	+0⅜	7.83
Alg. Bk. Ned. 5¾ 93 FL	200	93	93½	0	0	8.18
Austria 7½ 94 ECU	100	93⅝	94⅛	+0⅛	+0¼	9.28
Barclays Aus. 13½ 91 A$	100	97½	98½	0	+0⅛	14.74
Belgium 8⅛ 94 Ecu	150	95½	96	+0⅛	+0¼	9.37
Bell Canada 10⅞ 04 C$	200	101½	102	-0⅛	+0⅝	10.63
BP Capital 9¾ 93 £	100	91⅜	91⅞	-0⅛	+0¼	12.95
British Airways 10 98 £	100	89⅛	89⅝	-0⅛	+0½	12.09
Brit. Telecom 9½ 93 £	150	91⅜	92⅛	-0⅛	+0½	12.72
Comm.Bk.Aust. 12⅝ 93A$	100	†93½	94	0	+0⅜	14.99
Comm.Bk.Aus.13¾ 94 NZ$	60	†104	105	0	0	12.38
Credit Foncier 9 96 Ecu	100	98⅝	99⅛	+0⅝	+1⅛	9.22
CrLocalFrance 9¼ 92Ecu	100	99⅜	99¾	+0⅛	+0⅜	9.43
Deut. Bk.Aus. 13¾ 93 A$	125	†96⅝	97⅛	-0⅛	+0¼	14.45
Deutsche Bk.Fin. 15 94 A$	100	†103	103½	-0⅛	+0⅜	13.88
Elec. De France 9¾ 99C$	150	95½	96⅛	-0⅛	+0⅜	10.45
E.I.B. 7 96 LFr	100	†96½	97½	+1	+1½	7.62
E.I.B. 7⅛ 99 FL	150	94½	95⅛	0	-0⅛	7.91
E.I.B. 9 99 Ecu	150	98⅞	99⅜	+0¼	+0½	9.13
Eurofima 7⅝ 94 Ecu	100	94⅞	95⅛	0	+0⅜	9.16
Export Dv.Crp.8¾ 92Ecu	100	98⅝	99⅛	+0¼	+0½	9.25
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98⅛	98½	0	+0⅛	9.46
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97¼	97¾	0	0	10.90
Ferr. Stato 7¾ 93 Ecu	100	94⅛	94⅝	+0⅛	+0⅛	9.70
Ford Cr.Can.10⅛ 93 C$	100	†98¾	99¼	0	+0⅛	11.11
Ford Cred.Can.10⅞ 96C$	125	99½	100	0	+0⅜	10.91
Ford Cred.Fund.10¼ 93£	60	94	94½	-0⅛	+0⅜	12.69
G.M.A.C.Canada 11 3/4 94C$	100	101⅞	102⅜	0	+0½	11.07
Heineken 7⅝ 94 FL	150	100⅛	101⅛	0	-0⅜	7.72
Hydro-Quebec 11 99 C$	400	102⅛	102½	0	+0⅝	10.57
Lloyds Bank 10¼ 98 £	150	89¼	89¾	-0⅛	+0⅜	12.33
Lloyds Bank 11⅛ 98 £	100	92⅛	93	0	+0½	12.77
Montreal Tst.10¾ 93 C$	100	†98⅛	98⅝	0	+0½	11.28
Nat. Aus. Bk. 14¾ 94A$	100	†98⅞	99⅜	-0⅛	0	14.99
New Zealand 9½ 93 £	100	90⅝	91⅛	-0⅛	+0½	12.95
O.E.K.B. 10¼ 99 C$	150	98⅝	99⅛	0	+0¼	10.42
Royal Bk.Scot.10⅜ 98 £	125	91⅛	91⅝	-0⅛	+0¼	12.35
Saskatchewan 10¼ 93 C$	200	97¾	98¼	0	+0¼	10.89
State Bk.NSW. 13⅞ 93A$	100	†96½	97	-0⅛	+0¼	15.01
Sweden 7½ 93 Ecu	250	94⅛	94⅝	0	+0⅜	9.27
Sweden 15 94 A$	100	†102½	103	-0⅛	0	14.04
Toyota Mtr.Cr.10⅜ 94C$	150	98⅛	98½	-0⅛	+0½	10.79
Toyota Mtr.Cr.11⅛ 92C$	150	100⅝	101⅛	0	+0¼	10.88
World Bank 7⅛ 99 FL	300	94⅜	95⅛	0	+0⅛	7.88
World Bank 10⅞ 94 £	200	95⅛	95⅝	-0⅛	+0⅛	12.19
World Bank 13⅜ 92 A$	100	†101⅛	101⅝	-0¼	+0½	12.63
World Bank 14¼ 94 A$	75	101⅜	101¾	+0⅜	+0⅜	13.73
Zentrspk. 13¼ 93 A$	75	†96⅝	97⅛	-0⅛	+0¼	14.32

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.77	99.82	24/01	15.21
Bank of Greece 99 US	0¼	99.52	99.62	8/03	9¼
Belgium 91 US	0	100.12	100.22	21/02	8.81
Chelt.& Gloucester 94 £	.063	99.78	99.83	28/02	15.31
Credit Foncier 98 US	.063	99.91	100.01	20/04	8.31
Dresdner Finance 99 DM	.031	100.06	100.14	28/01	8.16
EEC 3 92 DM	0	100.14	100.24	22/02	6¼
Halifax BS 94 £	.1	100.10	100.15	9/02	15.16
Invt. in Industry 94 £	0¼	99.96	100.03	17/01	15.19
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.80	99.85	29/12	14.94
New Zealand 5 97 £	.07	100.05	100.15	22/02	15⅛
Northern Rock 92 £	0⅛	99.83	99.88	20/01	5¼
State Bk. Nsw. 98 US	.188	100.02	100.14	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.95	100.00	15/01	15.37
Woolwich 5 95 £	0⅛	99.95	100.01	22/02	15.31

Average price change... On day +0.02 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	120⅞	121⅞	+0½	0.83
Amer. Brands 7¾ 02 US	9/87	56.7	124	125	+0⅞	-1.79
CBS. Inc. 5 02 US	4/87	200.	102	103	-0½	3.60
Dai-Ichi Kan. 3⅞ 04 US	7/89	3486.	99½	100½	-0⅜	4.68
Primerica 5½ 02 US	4/87	66.75	74¼	75¼	0	69.83
Eng.China Clay 6½ 03 £	9/88	4.8	92⅝	93⅝	-0⅞	1.59
Fujitsu 3 99 US	5/84	1106.	215	216	+6	0.27
Ladbroke Grp. 5¼ 04 £	6/89	7.1	101⅝	102⅝	+0⅛	130.19
Land Secs. 6¾ 02 £	6/87	6.72	89⅝	90⅝	+0⅛	14.94
Minolta Camera 2¼ 94 DM	2/86	1004.	108⅝	110⅝	-0⅛	7.94
MCA INC 5¼ 02 US	9/87	69.62	104⅞	105⅞	-0¼	8.89
Mitsubishi Bk. 3½ 04 US	5/89	3266.	96½	97½	+0⅛	2.47
Next Plc 5¾ 03 £	11/87	4.3	94⅛	95⅛	+0⅛	402.99
Nishi Nipp.Bk. 2⅞ 03 US	4/88	804.	158⅛	159⅛	+4⅛	3.01
Onoda Cement Inc. 6 1/2% 04 US	10/89	28.	102⅛	103⅛	-0⅛	18.00
Omron Tateisi 2⅞ 02 US	4/87	1310.	295½	296½	+9½	0.11
Ranks Hovis 4⅞ 03 £	1/88	3.5	118⅞	119⅞	0	-0.28
Redland 7¼ 02 £	1/87	5.4	102⅞	103⅞	+0⅛	3.37
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	88	89	0	53.05
Silicon Graphics 8 04 US	6/89	23.18	117⅛	118⅛	-0⅛	7.66
Sumitomo Bank 3¾ 04 US	2/89	3097.	89⅞	90⅞	+0⅛	3.92
Texas Inst. 2¾ 02 US	9/87	82.87	77⅛	78⅛	0	76.19
Utd.Newspapers 8 04 £	10/89	8.77	125½	126½	+5⅛	133.49
W.R. Grace 6¼ 02 US	9/87	42.12	91⅛	92⅛	+0⅛	29.74

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.
Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.
Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL APPOINTMENTS

Royal Bank of Canada reorganises top team

By Robert Gibbens in Montreal

THE Royal Bank of Canada, the country's largest chartered bank, is making changes to provide its management team for the 1990s.

From next May, Mr John Cleghorn, 48, will be chief operating officer as well as president. He was appointed president in 1986 and currently oversees global corporate and retail banking from the Montreal head office. Mr Allan Taylor, 57, continues in charge of the whole bank as chairman and chief executive.

The changes follow the coming retirement of Mr Mike Michell, 59, vice chairman, finance and administration, and Mr Joe Regan, 59, vice chairman, strategic planning.

Mr Gordon Feeney, 48, will be senior executive vice president, retail banking, rising from executive vice president, operations and systems.

Mr Bruce Galloway, 42, will become senior executive vice president, corporate banking, stepping up from executive vice president, treasury. Mr Paul Taylor, 46, now executive vice president in charge of securities business, will assume global treasury duties.

Australian moves at P & O

By Kevin Brown, Transport Correspondent

MR B.W. Baillie, formerly group managing director of P & O Australia, has been appointed an executive director of the main board of the UK-based Peninsular & Oriental Steam Navigation shipping, property and construction concern, which he will combine with the vice-chairmanship of the board of P & O Australia.

Mr Richard Hein, currently deputy managing director of P & O Australia, will take over as managing director of this Australian arm from January 1. Mr Doug Anderson, finance director of P & O Australia, will in addition become assistant managing director.

Hasbro makes senior changes

HASBRO, of the US, the world's largest toy manufacturer, has appointed Mr Barry Alperin and Mr Alfred Verrecchia to newly created positions of co-chief operating officers.

Both are executive vice presidents. Mr Alperin will continue to have responsibility for mergers and acquisitions, human resources, legal matters and marketing and sales in the Pacific Rim and South America. Mr Verrecchia will be in charge of financial and manufacturing activities.

The company's extensive product range includes well known names such as GI Joe, My Little Pony, Playskool, Transformers action toys and Cabbage Patch Kids dolls.

Mr John O'Neill has been promoted from a senior vice president to executive vice president and will remain chief financial officer.

Mr Norman Walker, previously senior vice president, European marketing, has been made president of European operations, a new post.

Mr Alan Hassenfeld, whose family founded the company, became chairman and chief executive in July at the age of 40, replacing his brother, Stephen, who died at the age of 47 due to illness.

Martin Marietta elects president

MARTIN MARIETTA, the US aerospace contractor, elected Mr A. Thomas Young as the next president and chief operating officer, as well as a director, to take effect from January 1.

He will succeed Mr Caleb B. Hurtt who, as previously announced, will retire at the end of the year. Mr Hurtt, 58, chose early retirement in order to pursue a number of personal interests, but he will remain a member of the board.

Mr Young, 51, who was appointed executive vice president on August 14 in anticipation of Mr Hurtt's retirement, formerly was a senior vice president of the corporation and president of Martin Marietta's electronics and missiles group at Orlando, Florida.

★ ★ ★

UNISYS, a leading US-based computer group, elected Mr George Robson vice president and chief financial officer.

Mr Robson, who had been vice president and corporate controller, replaces Mr Curtis Hessler as CFO. Mr Hessler will remain vice chairman.

INTERNATIONAL CAPITAL MARKETS

Citibank plans UK cash basket products

By Deborah Hargreaves

WITH index participations, the controversial equity derivatives, embroiled in litigation in the US, a consortium of financial firms plans to launch a similar cash basket products in the UK early next year.

Citibank will offer settlement for the new international products in conjunction with Sweden's Beijer Capital and the European Options Clearing Corp. The baskets will contain top stocks in different countries and will be traded on a 24-hour basis.

The first product to be launched early next year will be a basket of Swedish stocks, to be followed in the second quarter by a German basket and later a French or Japanese product. The companies plan to market a range of 10 to 15 cash baskets, including those based on UK and US stocks, which will be launched later next year.

The cash basket contract, which will be worth £100,000 or $150,000, will have a trading life of a year and will be settled in cash and cleared through the European clearing house.

The baskets could challenge the index participations listed by three leading US exchanges earlier this year, particularly as these have stopped trading pending the outcome of a current lawsuit against them. The cash baskets will not be listed on an exchange and will therefore be cheaper to use as well as trading round-the-clock.

"These products could put Europe back in the driving seat of this market," said Mr Fredrik Ljungstrom, of BCB Broker which will market the product.

The idea for trading baskets of stocks grew out of the stock market crash when exchanges perceived a need for institutions to be able to move easily in and out of groups of stocks without the need to take delivery of the equities.

Although the products got off to a strong start in the US in April, a ruling by the Illinois court halted trading in them after two months. The ruling followed a suit from Chicago's futures exchanges that claimed the products were futures products and should therefore be regulated by the futures agency, the Commodity Futures Trading Commission.

While a decision is being taken on whether to appeal against the ruling, US exchanges are making some modifications to their products in a bid to get them re-classified as securities.

Mr Ljungstrom said the cash baskets will not be traded in the US until the case is cleared up, but US firms will be able to take the baskets on their books in other locations. The baskets are similar to stocks in that they will pay dividends, but they will be settled in cash.

The new products will be targeted at market-makers and global fund managers, according to Mr Ljungstrom, and not at private investors as had been intended for the index participations.

Bankers temper enthusiasm for the intricate Ecu

Rachel Johnson examines the developing role in financial markets of the European currency unit

As the unofficial litmus test for the evolution of monetary and financial integration in Europe, even the Ecu's most enthusiastic supporters might agree that the currency has some way to go.

Commercially, the Ecu is still a fussy instrument. Users have to bundle up appropriate amounts of the 12 component currencies, which are weighted according to economic importance. Stage 1 of the Delors plan recognises the stigma of fussiness, and embodies a commitment to lift restrictions on the commercial use of the Ecu.

It is a somewhat more encouraging story on the financial markets, where the Ecu is a sharper instrument and performs some unique functions. It ranks as the sixth most-used currency for newly issued Eurobonds. Ecu-denominated Eurobonds total some $45bn, versus $90bn for both the D-Mark and yen, and $70bn for sterling.

Yet the perception that the financial markets in Ecu have been stunted by the absence of an Ecu money market prompted a move by the Bank of England. A money market in sovereign Ecu debt was created at a stroke with the launch of a one, three and six-month Ecu Treasury bill programme, announced in August 1988.

The Bank's healthy foreign reserve position – it repaid a floating-rate note before launching the ETB programme – suggested its intentions were as political as they were functional, which may go some way to explaining the limited scope of the market.

The ETB programme was designed to establish London as the fastest-growing centre for Ecu financial activity, which it helped to do. At the end of March 1988, banks in the UK accounted for 22 per cent of total Ecu activity. Currently London, with 29 per cent, has the largest share of the Ecu banking market. Paris, close behind, has 24 per cent.

According to an Ecu newsletter published by a market-making bank in the bills, Istituto Bancario San Paolo di Torino, the development of Ecu-denominated short-term government paper would "not only consolidate the Ecu bond market, but also enable central banks to manage currency reserves."

To a certain extent, it has done both.

The Bank has started using Ecus from the ETB programme in foreign exchange market intervention. Sir David Hancock, director of Hambros, late of the Treasury, says this stimulates other banks' trading activity in Ecus. When the Bank sells Ecus to support sterling it supplies other banks with the currency.

Intervening with Ecus has other advantages. It allows the UK authorities to support sterling without pushing the values of other national currencies out of kilter. In the past, when the Bank intervened with other national currencies – such as D-Marks – it brought the Bank into conflict with other central banks, such as the Bundesbank.

As for consolidating the market, the ETBs have sparked some increased issuer and investor interest in Ecu-denominated commercial paper, according to Chase Manhattan, a market maker in the Ecu bills. Before their existence, the only other short-term Ecu assets available for investment were bank deposits, certificates of deposits and some Ecu Euro-commercial paper.

Even though the yields on the ETBs range between an unrewarding ⅛ per cent and ¼ per cent below Ecu London interbank bid rates, the issues are always subscribed several times over. European central banks and supranationals – which are limited only to the highest-quality investments – make up much of the investment base. As Mr Ken Baugh, director of non-sterling short-dated money market sales at Warburg Securities, points out: "There is no better quality paper. It is breaking all records for spreads. It's the crème de la crème."

However, for other investors, this is a disadvantage. The cost of funding the Ecu paper is greater than the slim returns afforded by the low yields and provides one possible reason why the programme has proved less of a catalyst to the growth of the market than hoped for.

In spite of enthusiasm on the part of central banks, there is still not a liquid cash market in the Ecu. Turnovers have increased, however; in the last three months ended November, the average turnover rate has risen to Ecu6bn, compared with Ecu4.3bn for the previous quarter. But investors in the T-bills have locked all but an estimated £500m of the outstanding £2.8bn debt away in portfolios. Nor has the Bank's aim of encouraging a wider range of sovereign and corporate borrowers to raise finance in Ecus met with resounding success.

VALUE OF THE Ecu

Currency	New effective weights	Fixed weights of currencies
BFr/LUF	7.90	3.431
DKr	2.45	0.1976
FFr	19.00	1.332
DM	30.10	0.6242
I£	1.10	0.00855
Lire	10.15	151.8
DFl	9.40	0.2198
£	13.00	0.08784
Dr	0.80	1.440
Pta	5.30	6.885
Esc	0.80	1.393

Source: Swiss Bank Corporation, London

Since 1982 the Italian Treasury has issued Ecu25bn in Ecu-denominated debt, of which Ecu16bn is in Ecu floating-rate notes, Ecu8bn in Ecu T-bills and Ecu1bn in Eurobonds.

In April, France launched a government Ecu bond due in 1997, for a total of FFr7bn. Much of the issue, however, was placed on the basis of prior agreements, which did not improve liquidity. In 1990, James Capel reckons, there will be FFr9bn outstanding French Treasury Ecu debt.

Though there are more natural holders of Ecu deposits in France and Italy – and it would seem a logical extension of their Ecu programmes – neither country has followed the Bank with monthly issues of Ecu bills.

According to Mr Baugh, progress has been "lamentable so far. But slowly and surely the word on Ecu will spread."

Undeterred by the absence of copy-cat programmes, in October a futures contract in Ecus was launched on the London International Financial Futures Exchange. With an illiquid cash market, this has failed to thrive.

After initial heavy volumes – 1,000 contracts in the first hour, representing a notional value of £1bn – interest dropped. This week, estimated volume in the three-month Ecu was under 100 contracts daily, with opening and closing prices hardly changing.

Sir David says this is because the contract is redundant. "The Ecu paper is already a currency and interest rate hedge. Why would one need a second hedge?" At Lloyds Bank, Mr John Young, an economist, agrees. "Market participants want volatility," he says.

The Ecu basket was revised in September, to include the peseta and escudo. But this cannot be blamed for inhibiting the market's expansion. San Paolo Bank actually attributed the large number of short-term Eurobond issues earlier this year to "speculation" before the revision. Issuers wanted to capitalise on yield spreads before the inclusion of other currencies. Chase Manhattan, moreover, said the rebasing "removed market uncertainty."

Mr Young pins blame on the slow progress of the commercial Ecu. "More widespread commercial use is a precondition to the further growth of the money markets," he says.

When San Paolo Bank surveyed seven European countries – the UK excepted – 42 per cent of the companies which responded said a part of their import/export activity was conducted in Ecu. Four years ago, only 9 per cent dealt in the currency.

There is an irony here. Although the Bank of England may have taken the initiative in an attempt to develop the Ecu markets, Britain, for other reasons, stands in the way of their development.

Mr Christopher Johnson, chief economics adviser at Lloyds Bank, describes the UK's hesitancy over the commercial use of the Ecu as symbolic of "Teutonic caution against Latin enterprise."

Referring to the exchange rate mechanism of the European Monetary System, in which sterling does not participate, he adds: "It is difficult to see how London can claim to be the ... centre of private Ecu business as long as the UK stays out of the ERM."

Moreover, sterling's roughly 13 per cent weighting in the Ecu and non-membership in the ERM adds, in the view of some investors, an undesirable extra element of risk into Ecu investment. On top of that, the volatility of UK interest rates feeds into the Ecu, further deterring investment appetite.

Dutch bank raises $370m through novel share deal

By Deborah Hargreaves

AS PART of a bid to fund its pending acquisition of a Chicago bank, Algemene Bank Nederland, the big Dutch bank, has completed an innovative equity offering dubbed "stock lending."

The bank yesterday placed a new issue of 9.4m ordinary shares, which are not entitled to a dividend this year, with a local institutional shareholder. In exchange, the institution gave the bank 7.5m ABN shares that will receive a dividend this year. ABN placed these domestically and abroad.

Some 3.5m of the exchanged shares were sold in the Netherlands and the rest in the international market via a consortium led by Morgan Stanley and including Goldman Sachs and Credit Suisse First Boston.

The offering is estimated to generate some $370m for ABN which will partly finance the $420m takeover of Exchange Bancorp in Chicago. ABN's shares drifted down to Fl 40.2 yesterday after closing on Tuesday at Fl 41.1.

Treasuries on defensive in dull trading

By **Janet Bush** in New York and **Rachel Johnson** in London

GOVERNMENT BONDS

NOVEMBER RETAIL sales figures and a firmer than expected Fed funds rate put the US Treasury bond market on the defensive yesterday morning but price movements continued to be minimal prior to tomorrow's clutch of data.

At mid-session, short-dated maturities were quoted mostly ⅛ point lower, reflecting concern about the high Fed funds rate while long-dated maturities were up by as much as ⅛ point. The benchmark long bond was up ⅛ point to yield 7.88 per cent, very little changed from last Friday's close.

November US retail sales gained 0.8 per cent against forecasts of a rise of 0.2 per cent to a fall of 0.4 per cent. Most of the strength, however, came in the non-durable goods area and the impact was not great. The market was much more interested in tomorrow's releases, which include the October merchandise trade balance and November producer prices, industrial production and capacity utilisation. Fed funds opened at 8⅝ per cent, higher than money market economists had forecast.

■ THE D-MARK'S strength on the foreign exchanges made for lively conditions in West Germany. Prices in the morning session were fixed higher and bunds put on about 20 pfennigs.

Gains had halved to about ten pfennigs by the end of the day, however.

The repurchase agreements coming into effect yesterday left the market with a net DM1.9m liquidity. The Bundesbank sold DM15.9bn of funds at a fixed rate of 7.30 per cent, and DM6.6bn at a variable rate of between 7.60 and 7.90 per cent.

■ UK GILTS fell back about ⅛ point but managed to stay largely unaffected by the D-Mark's strong performance yesterday.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-16	-3/32	11.98	12.09	11.51
	9.750	1/98	92-08	-2/32	10.84	11.01	10.67
	9.000	10/08	93-08	-4/32	9.78	10.00	9.74
US TREASURY *	8.000	8/99	100-09	-1/32	7.90	7.85	7.95
	8.125	8/19	102-23	+2/32	7.80	7.88	7.92
JAPAN No 111	4.800	6/99	98.1963	+0.031	5.41	5.34	5.49
No 2	5.700	3/07	102.0428	-	5.47	5.50	5.53
GERMANY	7.000	9/99	98.3500	+0.100	7.23	7.21	7.38
FRANCE BTAN	8.000	10/94	94.0582	-0.142	9.57	9.51	9.58
OAT	8.125	5/99	93.8500	-0.060	9.11	8.96	9.05
CANADA *	9.250	12/99	97.7500	-	9.60	9.71	9.41
NETHERLANDS	7.250	7/99	96.6600	+0.030	7.75	7.72	7.80
AUSTRALIA	12.000	7/99	94.3199	-0.181	13.06	13.14	13.35

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Dec 13 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Dec 12 Index No.	Mon Dec 11 Index No.	Fri Dec 8 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (204)	988.84	+0.5	12.75	4.77	9.61	38.71	984.23	982.88	899.81	755.49
2 Building Materials (28)	1081.86	+0.1	14.55	5.23	8.57	40.71	1080.27	1082.38	1091.53	988.23
3 Contracting, Construction (37)	1471.60	+0.3	16.88	5.28	7.78	56.19	1467.03	1462.54	1460.52	1402.86
4 Electricals (10)	2642.95	+1.3	10.33	4.71	12.17	84.46	2609.21	2598.80	2580.80	2247.35
5 Electronics (30)	1941.99	+0.6	9.46	3.77	13.59	52.19	1930.70	1924.69	1907.74	1731.84
6 Mechanical Engineering (53)	472.82	+1.0	12.25	4.86	9.95	16.44	468.31	470.44	469.09	396.41
8 Metals and Metal Forming (6)	470.39	+0.7	25.07	6.38	4.50	23.02	467.31	468.95	464.09	447.06
9 Motors (16)	376.71	+0.4	14.12	5.60	8.30	11.84	375.39	373.69	371.04	256.72
10 Other Industrial Materials (24)	1752.81	+0.3	9.51	4.32	12.39	55.27	1746.77	1734.49	1723.26	1288.37
21 CONSUMER GROUP (185)	1325.17	+0.9	8.58	3.46	14.62	33.79	1313.71	1309.97	1317.61	989.31
22 Brewers and Distillers (23)	1526.76	+1.2	9.32	3.44	13.32	36.48	1508.80	1502.16	1515.22	1098.87
25 Food Manufacturing (20)	1165.29	+1.0	9.10	3.79	13.76	31.60	1153.76	1148.17	1158.80	889.19
26 Food Retailing (15)	2270.12	-1.4	9.35	3.19	14.13	52.06	2302.00	2309.33	2351.52	1730.92
27 Health and Household (14)	2768.31	+1.9	5.70	1.88	20.90	46.95	2717.54	2705.85	2703.37	1757.60
29 Leisure (35)	1641.91	+1.2	8.16	3.60	15.11	44.41	1622.60	1628.37	1633.97	1313.00
31 Packaging & Paper (14)	545.86	-0.2	12.07	5.29	10.38	18.37	546.96	545.22	545.06	501.40
32 Publishing & Printing (18)	3815.93	+0.7	8.28	4.60	15.61	121.48	3790.59	3750.95	3763.37	3091.72
34 Stores (32)	791.84	+0.3	11.13	4.72	11.71	25.98	789.05	787.28	796.87	662.36
35 Textiles (14)	528.12	+0.3	10.88	5.62	11.15	22.08	526.52	527.50	530.23	432.61
40 OTHER GROUPS (96)	1182.29	+0.9	10.39	4.48	11.62	39.90	1171.35	1168.58	1180.22	875.86
41 Agencies (17)	1628.19	+3.7	6.51	2.24	18.87	27.29	1569.89	1570.77	1593.12	995.52
42 Chemicals (22)	1223.63	+0.6	12.39	5.23	9.49	47.73	1215.86	1212.85	1218.14	1000.11
43 Conglomerates (14)	1652.89	+0.6	10.70	5.22	11.00	68.01	1642.71	1643.67	1673.85	1212.34
45 Transport (13)	2298.53	+0.9	10.37	4.18	12.31	68.85	2279.09	2264.47	2280.74	1820.11
47 Telephone Networks (2)	1198.16	+1.1	10.60	4.28	12.27	38.54	1185.54	1179.15	1196.81	990.87
48 Miscellaneous (28)	1927.89	+0.3	9.92	4.58	11.35	65.42	1922.23	1922.13	1923.17	1156.12
49 INDUSTRIAL GROUP (485)	1190.57	+0.8	10.12	4.08	12.17	35.72	1181.08	1178.02	1183.90	911.91
51 Oil & Gas (15)	2452.12	+1.6	8.83	4.67	14.96	96.43	2413.60	2383.02	2403.49	1774.60
59 500 SHARE INDEX (500)	1295.60	+0.9	9.93	4.17	12.51	48.70	1283.79	1278.55	1285.61	984.76
61 FINANCIAL GROUP (120)	838.02	+0.6	–	5.06	–	30.41	833.16	827.96	827.35	661.00
62 Banks (9)	871.65	+1.6	19.81	5.77	6.64	36.37	857.86	851.33	846.39	653.97
65 Insurance (Life) (7)	1392.06	-0.5	–	4.77	–	47.56	1398.86	1394.77	1389.07	906.86
66 Insurance (Composite) (7)	712.05	-0.1	–	5.31	–	28.34	712.84	705.66	704.61	510.95
67 Insurance (Brokers) (7)	1129.80	-1.0	6.67	5.56	19.96	47.09	1140.99	1140.40	1137.75	876.17
68 Merchant Banks (11)	477.94	+0.7	–	3.61	–	11.59	474.55	475.62	473.56	310.38
69 Property (49)	1218.45	+0.2	7.50	3.51	16.88	30.32	1215.93	1207.87	1221.94	1194.74
70 Other Financial (30)	331.60	+0.3	12.34	6.53	10.63	15.82	330.77	329.86	330.58	340.50
71 Investment Trusts (69)	1292.63	+0.5	–	2.71	–	25.23	1286.37	1286.21	1288.26	899.63
81 Mining Finance (1)	741.64	+0.2	10.07	3.63	11.16	22.25	740.36	739.07	732.66	535.80
91 Overseas Traders (7)	1534.70	-0.3	9.01	5.27	12.73	60.11	1540.00	1537.71	1535.78	1249.43
99 ALL-SHARE INDEX (697)	1186.76	+0.8	–	4.26	–	37.79	1177.80	1172.04	1176.92	904.47

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 12	Dec 11	Dec 8	Dec 7	Dec 6	Year ago
FT-SE 100 SHARE INDEX‡	2386.2	+22.7	2386.7	2370.3	2363.5	2351.4	2363.5	2346.7	2353.7	1756.1

‡Opening Index 2379.2; 10 am 2373.9; 11 am 2374.8; Noon 2380.0; 1 pm 2381.0; 2 pm 2382.7; 3 pm 2380.1; 3.30 pm 2378.6; 4 pm 2380.1 (a) 4.58pm (b) 9.34am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. CONSTITUENT CHANGES: Highland Participants (48) and Jaguar (9) have been deleted and replaced by North West Water (48) and Thames Water (8).

FIXED INTEREST

PRICE INDICES	Wed Dec 13	Day's change %	Tue Dec 12	xd adj. today	xd adj. 1989 to date
British Government					
1 Up to 5 years	116.19	-0.08	116.28	–	11.54
2 5-15 years	129.89	-0.08	130.30	0.30	12.29
3 Over 15 years	138.68	-0.09	138.81	–	13.64
4 Irredeemables	157.15	-0.20	157.47	–	13.66
5 All stocks	127.85	-0.08	128.12	0.16	12.36
Index-Linked					
6 Up to 5 years	140.86	-0.05	140.93	–	2.79
7 Over 5 years	139.56	+0.02	139.72	0.20	3.54
8 All stocks	139.54	+0.02	139.69	0.18	3.46
9 Debentures & Loans	105.76	+0.16	105.59	–	10.92
10 Preference	84.91	–	84.91	–	6.39

AVERAGE GROSS REDEMPTION YIELDS		Wed Dec 13	Tue Dec 12	Year ago (approx.)
British Government				
1 Low	5 years	10.36	10.35	10.54
2 Coupons	15 years	9.75	9.73	9.70
3	25 years	9.65	9.63	9.22
4 Medium	5 years	11.26	11.22	10.94
5 Coupons	15 years	10.11	10.10	9.91
6	25 years	9.73	9.72	9.42
7 High	5 years	11.40	11.36	11.06
8 Coupons	15 years	10.31	10.31	10.04
9	25 years	9.87	9.87	9.44
10 Irredeemables		9.73	9.71	9.06
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.68	3.66	3.69
12 Inflation rate 5%	Over 5 yrs.	3.63	3.63	3.77
13 Inflation rate 10%	Up to 5 yrs.	2.86	2.83	2.56
14 Inflation rate 10%	Over 5 yrs.	3.47	3.47	3.61
15 Debs &	5 years	12.97	12.97	11.42
16 Loans	15 years	12.48	12.49	11.14
17	25 years	12.10	12.13	10.86
18 Preference		10.79	10.79	10.39

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	89	5
Corporations, Dominion and Foreign Bonds	1	10	30
Industrials	467	264	865
Financial and Properties	195	100	390
Oils	34	15	45
Plantations	0	1	9
Mines	31	32	99
Others	85	59	104
Totals	821	570	1,547

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§75	F.P.	–	86	81	§Air London 5p	86		R2.25	2.5	3.5	13.1
240	100	–	151	100	Anglian Water	149½	+1	R15.3	2.3	7.0	7.1
§20	F.P.	–	25½	18	*Autos of Distinction 5p	18		–	–	–	–
–	F.P.	–	109	76	BTR Warrants 1993/94	108	+2	–	–	–	–
§142	F.P.	–	150	145	§Barts Hldgs 10p	146	+1	85.5	2.7	5.0	9.2
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Dec 4
- Last Dealings Dec 15
- Last Declarations Mar 8
- For settlement Mar 19

For rate indications see end of London Share Service

Calls in: Aitken Hume, Amstrad, Aviva, Nat. Telecom., Other Res., Royal Bk. Scot., Tusker Res. Puts in: Blackwood Hodge, Berisford.

Put & Call: Thames Water.

LONDON TRADED OPTIONS

VOLUME slipped from Tuesday's water-borne heights but was still a healthy 34,840 contracts of which 22,664 were calls and 12,176 were puts.

Trade in FT-SE contracts was markedly higher than on Tuesday. In all 9,579 were traded, against 7,532 on Tuesday when the total volume was 41,933.

Of yesterday's FT-SE volume, 4,102 were calls and the balance were puts. The most popular FT-SE series was the Dec 2,250 puts with 1,149 contracts traded.

The new equity options again featured in the top three stock options by volume. The package unit was highly popular with 4,888 contracts traded of which 66 were puts and the rest calls. The most-traded contract was the May 1,500 with 1,305 dealt. James Capel conducted 60 per cent of the business in the package including a "table top" for March which accounted for 3,000 contracts.

Trade in Thames Water dropped to 1,235 contracts. The vast bulk were calls with just 38 puts.

The top contracts were the May 140 calls with 502 traded. One salesman at Capel said the firm had expected good trade in Thames Water because, alone of the water companies, it was already on the FT All-Share index and it was likely to join the FT-SE 100 index which meant that the institutions, which were generally restricted to buying Thames shares as part of the package, would be underweight. After trading closed it was announced that Thames would join the FT-SE from January 2.

Oils were also strong following rises in New York overnight. BP was busy with 2,817 contracts traded of which 1,820 were calls. The BP Jan 330 call was the most popular with 905 contracts traded. Shell was also active with 840 contracts traded.

Jaguar was active with 1,178 contracts traded.

Some of the trade was made up of position closing by investors wishing to accept Ford's unconditional offer for the UK motor group. Of the Jaguar total, 866 were calls, 600 of those were Jan 800 contracts, against a current share price in the stock market of 846p.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*497)	460	47	68	75	4	11	18
	500	19	42	50	20	26	35
ASDA (*110)	110	7½	14	19	7	10	12
	120	4	9½	13	13	16	17
	130	2½	6	10	22	23	25
Brit. Airways (*213)	180	37	43	46	1	3	5
	200	17	27	30	3	7	10
	220	5½	15	18	12	15	18
Brit. Cam (*98)	90	14	22	25	6	8	12
	100	11	17	22	11	15	18
[illegible]							

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Storehouse (*113)	110	8	15	18	6	10	12
	120	4	10	12	12	15	18
Trafalgar (*366)	360	–	39	47	–	17	22
	377	13	–	–	22	–	–
Utd. Biscuits (*361)	360	15	27	38	9	17	19
	390	5	14	23	31	35	37
Unilever (*716)	650	77½	97½	116	2½	9¼	14½
	700	37	61¼	82½	12¼	24½	29¼
	750	13	36	56	41¼	50	51½
Ultramar	300	67	72	83	1½	5	7
[illegible]							

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Ferranti (*39)	35	8	10½	12½	3	5	5
	40	5	7	9½	5	7	8
Polly Peck (*402)	390	28½	44¼	56¼	12	20	23
	420	14¼	29¼	39¼	28¼	35¼	37¼
Thames Water (*138)	120	19	23	27	1	2½	3
	130	10½	14	18	2½	4½	6
	140	4½	8	12	5½	9	10
Water Hldg Pkg (*£1418)	1400	65	95	130	35	55	60
	1450	35	65	105	65	75	80
[illegible]							

UK COMPANY NEWS

Anglo Utd nets £54m for Coalite quarries

By Ray Bashford

ANGLO UNITED, the mining and fuel distribution group, has completed the first stage of an asset disposal programme which will reduce substantially the borrowings made to finance the takeover of Coalite earlier this year.

Charter Consolidated, part of the Anglo American Corporation of South Africa, is acquiring for £53.5m cash the quarrying activities which Anglo United inherited through the takeover.

Anglo is also believed to be near to completing arrangements to sell its builders merchants' operations and final negotiations are in progress for the sell-off of the waste disposal business.

Both of these operations came with the £478m contested takeover of Coalite that was completed last July. Completion of the disposal programme will leave Anglo with Coalite's core fuel distribution operations, which will be merged with existing businesses.

Anglo financed the bulk of the takeover through a £200m short-term loan and a £270m six-year loan, arranged through Samuel Montagu.

Mr David McErlian, Anglo United chairman, said the sale of the quarries business, operated through Hargraves Quarries and Bothel Limestone and Brick Company, left the company well placed to beat the financing dealine set at the time of the takeover.

He said that the objective was to repay the £200m short-term loan by the end of next year. In addition to the £53.5m from the quarries, Anglo is likely to receive at least an additional £70m from the sale of the builders' merchants and the waste disposal company, which could be completed by the end of this year.

Under the present plan, the debt will be reduced further by the sale of the last important assets Anglo has up for sale: North Sea oil areas, property investments and a vehicle and truck distribution business. Disposals of other small holdings could return a further £15m-£20m before the deadline.

Charter Consolidated was chosen from 12 groups which made detailed proposals to purchase the quarries. It is believed that Charter was not the highest bidder, but had the advantage of offering cash and being able to settle relatively quickly.

The quarries made operating profits of £3m in the year to March 31 and net assets at that date were £6.9m.

The builders' merchants business was expected to be one of the more difficult assets to dispose of because the climate in the business has cooled since the takeover, in line with other parts of the building industry.

David McErlain: group well placed to repay £200m short-term loan behind Coalite takeover before deadline at end of next year

Charter Consolidated improves 20% to £38.5m

By Kenneth Gooding, Mining Correspondent

CHARTER CONSOLIDATED, the UK industrial holding group which is part of a worldwide network of companies under the influence of Anglo American Corporation of South Africa, revealed a 20 per cent rise in taxable profit, from £32.1m to £38.5m for the half-year to September 30.

Attributable profit and earnings per share increased by 22 per cent to £25.6m (£21m) and 24.2p (19.9p) respectively, while the interim dividend is lifted 37 per cent to 6.5p.

Charter warned this should not be regarded as the likely percentage growth in dividends for the full year, but was intended to establish a better balance between the interim and final.

The results were in line with analysts' expectations but the share price fell 13p to 466p immediately after the announcement because of a widespread feeling that the group had paid too much for the quarrying business.

Mr Jeff Herbert, who next month takes over as chief executive said yesterday it was the board's objective to have at least 80 per cent of pre-tax profits generated by the operating subsidiaries within three years.

Currently about 40 per cent of profit comes from companies directly managed by Charter and Mr Herbert suggested that was not good enough.

Under its new management team, Charter would concentrate on four industrial areas: quarries; specialist building products and services; mining and railway equipment; and services.

Charter's Pandrol railway equipment subsidiary was about to complete an acquisition in the US worth up to £20m.

With the Anglo United purchase, plus demands for extra working capital from the industrial operations, it would see the Charter's cash mountain, £119m net at the end of September, down to between £60m and £70m by the end of this year, said Mr Wakeling, acting chief executive and finance director.

He and Mr David Davies, currently deputy chairman of Charter, are both to move to Johnson Matthey, the precious metals group in which Charter has a 38.6 per cent shareholding, in the New Year as deputy chief executive and chairman respectively.

Mr Wakeling said JM had lost three key people with the resignations of the chairman, chief executive and finance director.

See Lex

Stakis tops £27m and still intent on expansion path

By Andrew Hill

STAKIS said yesterday that it was determined to increase its portfolio of nursing homes and build a chain of business hotels, even if faced with recession.

The Glasgow-based group, headed by Sir Reo Stakis, increased taxable profits by 11 per cent to £27.11m in the 52 weeks to October 1, compared with £24.46m in the 53-week period to the beginning of October 1988.

Mr Neil Chisman, the new finance director, said yesterday: "We've got a strategy which is aimed at riding through a minor recession. We don't really want to be deflected from that strategy, because we would rather be fighting for a dwindling market share with the business hotel concept than with a less exciting product."

More than 75 per cent of trading profits came from hotels, and from the leisure division, which now includes casinos, pubs, discotheques and restaurants.

Stakis is developing what it calls the Country Court brand of hotels – with leisure and business facilities aimed at business travellers. The group hopes to have nine such hotels – including three conversions of existing hotels – operating within the next 18 months.

In the next five years it plans to raise this to 20 hotels in the UK and 10 in Europe, where it is carrying out preliminary research into the West German market.

During the year the hotels division pushed up profits from £13.93m to £16.47m on turnover of £76.34m (£67.05m). The property division generated trading profits of £5.26m (£3.87m) from turnover of £14.78m (£10.77m).

Trading profits in the leisure division slipped from £9.04m to £8.66m on turnover of £48.1m (£45.28m). Reorganisation of the leisure operations hit profits, as did disruption caused by major roadworks outside the group's London casino, the Stakis Regency Club.

The growing healthcare division made £1.54m (£307,000) on turnover of £3.98m (£1.11m).

The group expects the year-end figure of about 700 beds in the Ashbourne nursing homes to grow to 1,000 by early 1990 and 5,000 by the end of 1994.

Earnings per share rose from 7.53p to 9.22p and the recommended final dividend of 1.6p, makes 2.31p (1.95p) for the year. Stakis shares closed up 2p at 97p.

● COMMENT

Stakis should be able to live up to its self-imposed target of 20 per cent annual earnings growth, although it will be a while before that growth comes entirely from trading operations. At the moment it is sustained by profits on the disposal of small hotels and nursing homes (£3.7m in these figures) and an abnormally low tax rate. Those disposals will continue and could increase if hotels fail to meet more demanding targets imposed by Stakis's relatively new management. Whatever the source of regular earnings and dividends growth, it should keep investors happy while Stakis develops its solid hotel/nursing home strategy – after five years the healthcare division could account for as much as one fifth of turnover and profits. Pre-tax profits of some £30m in 1989-90 implies a relatively attractive prospective p/e of about 8.5, assuming a 10 per cent tax rate.

Telfos calls off proposed £25m buy in Australia

By Andrew Bolger

TELFOS HOLDINGS, the diversified engineering group, has scrapped plans to pay £25m for a division of Australian National Industries, the engineering group which plunged into losses in the year to June and is now controlled by Mr Kerry Packer.

The group, which makes locomotive engines, was at an advanced stage of negotiations to buy ANI's Comeng division, which makes railway rolling stock in Australia.

Telfos said last night: "During the due diligence investigations undertaken by Telfos, its valuers, and its auditors, Price Waterhouse, it was discovered that there were material discrepancies between the value of fixed assets, the valuation of stock and work in progress and the anticipated level of overhead costs and resulting profitability purported by the vendor and those that could be verified by Telfos and its advisers.

"In such circumstances the board of Telfos, acting in the best interests of its shareholders, terminated the negotiations.

"Furthermore in view of indications made by the vendor, its directors and adviser Whitlam Turnbull, Telfos intends to institute legal proceedings to recover its reasonable costs incurred in this abortive transaction."

Mr Joe Malins, chief executive of Telfos, said that while ANI had valued Comeng's property at A$18m (£8.8m), Telfos' advisers put the figure at half that. ANI's figure for overheads was A$8m, compared to Telfos' of A$10m.

Mr Malins said he could not yet put a figure on the costs incurred, but a claim for them would be pursued through the Australian courts.

ANI, which was acquired by Mr Packer in June, could not be contacted last night. It fell dramatically into the red this year as a results of its costly involvement with the collapsed Spedley group.

In the year to the end of June it had an equity-accounted operating loss after tax of A$74.9m, a stunning reversal from the previous year's A$74.8m profit.

● Telfos also announced after the market closed that it had sold for £11.2m its 29.4 per cent stake in Walter Runciman, the shipping, security and insurance group for which it bid last year.

Mr Malins said Telfos had sold its whole stake to a Swedish bank at 425p per share. He said Telfos had paid an average of 290p for its shares, which would give the company a gross profit of £3.55m.

Acquisition at Whittington

Whittington has agreed to acquire Wellingtons, a Lincolnshire-based manufacturer and distributor of gift and stationery products.

The consideration is £1, though Whittington has agreed to assume Wellingtons' debt which amounts to £698,000.

British Gas close to agreement on Spanish deal

By Tom Burns, in Madrid

BRITISH GAS is negotiating a wide-ranging agreement that could include a substantial minority share ownership with Catalana de Gas, Spain's leading natural gas distributor, the Barcelona-based company said yesterday.

Negotiations are understood to be well advanced on a technical collaboration and marketing deal between the two companies. "An association with British Gas would be our best guarantee with a view to a deregulated European market," said Catalana.

In parallel talks, which Catalana said were less advanced, British Gas is reviewing a share option in the Spanish company.

There are reports, which Catalana would not confirm, that British Gas will acquire a 9 per cent holding in the Spanish group, which is currently owned by Asland, a domestic cement producer controlled by Lafarge Copee of France.

British Gas yesterday declined to comment on the reports, or on any association it might have with Catalana. A spokesman said this was because the matter was "speculation."

La Caixa, the Catalan savings bank, has a 31 per cent stake in Catalana de Gas. Repsol, the Spanish state-controlled energy group, has some 10 per cent and the remaining equity is widely distributed.

Catalana buys exclusively from Enagas, the publicly-owned Spanish gas importer, but said that purchases from British Gas were a "possibility" in 1993.

The company has a 33 per cent market quota in natural gas distribution in Spain and an 80 per cent quota of the highly-developed Catalan market. It is forecast to post pre-tax profits of Pta5bn (£26.75m) this year against Pta3.36bn in 1988.

Seacon postpones board meeting on new offer

By Andrew Hill

SEA CONTAINERS has postponed a crucial board meeting which was to consider possible new defences against an increased $1.12bn bid.

Directors of the Sealink ferry and container group were due to meet on Tuesday, but it proved an inconvenient date for all members of the board, who are based around the globe.

The meeting will now take place next week.

Stena, a private Swedish shipping group, and Tiphook, a UK container rental company, increased their six-month-old offer for Sea Containers' common shares to $70 per share last Friday.

That matched the target's planned defensive tender offer for half its own equity and put pressure on president Mr James Sherwood to set a date for a shareholder meeting to vote on the alternatives.

In New York yesterday, Sea Containers' shares were trading at about $69, their highest point for several months.

The group hopes to announce today further asset disposals – part of a $1.1bn programme to fund the defensive tender offer.

Japanese buy 10.6% Summit stake from B&C

By John Ridding

MARUBENI CORPORATION, one of Japan's largest trading houses, is buying a 10.6 per cent stake in Summit Group, a private British financial and property concern, for about £10m.

Marubeni is acquiring the stake from British & Commonwealth, the UK financial services group, which is making a series of disposals to reduce its borrowings of about £900m.

Yesterday's sale, which leaves B&C with a 28.8 per cent stake in Summit, is a relatively small part of this process. But B&C intends to dispose of the rest of its holding and Marubeni has an option to buy further shares from B&C, which would take its stake to about 20 per cent.

The largest component of B&C's disposal programme – the sale of Gartmore, the fund management business – is expected to raise over £150m.

Summit, which was formerly part of Atlantic Computers, is principally involved in financial advisory services to major corporations, sales aid leasing, lease financing of and dealing in printing equipment, and property investment and development.

The price of the 10.6 per cent stake values the company at about £125m.

For Marubeni, the investment will enable it to use Summit to place funds.

Mr Mamoru Hashimoto, Marubeni's managing director, highlighted Summit's contacts and innovative financial approach as the attraction of the deal.

The sale of the stake will leave GEC as Summit's single largest shareholder with a 39.4 per cent stake.

UK COMPANY NEWS

Ashley Ashwood

John Clare, managing director, (left) and Stanley Kalms

Kingfisher document prompts vehement retort from Dixons

By Maggie Urry

DIXONS, the electrical retailer fighting a £568m bid from Kingfisher, which owns the Comet electrical chain, yesterday responded fiercely to points made in the offer document, published on Tuesday.

Mr Stanley Kalms, Dixons' chairman, said the accusation that Dixons strategy was excessively reliant on deals and scoops was "unbelievable nonsense." And some of Kingfisher's other accusations showed that it did not understand the business.

Mr Kalms said he thought the real reason behind the bid was Kingfisher's fear that Currys, owned by Dixons, was increasingly opening stores in out-of-town locations and thus threatening Comet's dominance.

He said Dixons' was a unique business whose future growth prospects gave it an unanswerable case. The integration of Dixons' and Curry's management had been highly successful.

Kingfisher had "failed to grasp what 'Operation Reap' is about," said Mr Kalms. Operation Reap is Dixons programme to increase market share through a range of features such as merchandise, store design, stock, service. He said this was proving successful, and the group's "state of the art" stores were seeing good sales gains.

Dixons shares fell 1p to 135p yesterday, while Kingfisher's were unchanged at 290p.

Kingfisher's offer document said that Dixons' was too dependant on "own label" merchandise. Mr John Clare, managing director of Dixons' stores, said these "exclusive brands" were "a very important, successful part of the business."

The ranges on offer to customers covered leading manufacturers' brands as well as Dixons' exclusive brands, giving customers choice and value for money. In some product areas the Dixons' brand had become the leader, he said.

Mr Kalms replied to Kingfisher's attack on profits from Dixons' sale of extended warranties by saying that this could not be regarded as separate from the retail business. Further, he said, selling these warranties put "pressure on us to sell good quality merchandise" because if the product stopped working Dixons would be liable to repair it.

Mr Kalms queried the way Kingfisher had shown Comet's market share, measured over a 12-week period. During this time Comet had been offering 18 months interest-free credit on products. "Anyone can gain market share that way," Mr Kalms said.

Kingfisher's suggestion that Dixons had boosted its retail profits through property disposals were "totally untrue" he added.

ERF up 42% to £3.74m but warns of downturn

By Kevin Done, Motor Industry Correspondent

ERF (HOLDINGS), the last remaining independent publicly-quoted UK truck maker, increased its pre-tax profits by 42 per cent to £3.74m in the six months to the end of September.

The company warned, however, that the recent steep downturn in the UK truck market meant that it was now "suffering substantially lower levels of orders and shipments". It has decided to leave its interim dividend unchanged at 4p.

The length and depth of the downturn was difficult to forecast, said Mr Peter Foden, chairman and chief executive, but he warned that it would have "an adverse effect" on the company's profitability in the second half of the year.

ERF's share price has already halved from a peak earlier this year of 505p to a recent low of 243p. The shares closed yesterday down 7p at 253p.

ERF has already taken steps to cut production and reduce its workforce in the face of a sharp fall in sales in the final quarter of 1989.

The company has:

- moved onto a four-day week since mid-November which will run at least until mid-January,
- cut output sharply from a peak of 21 trucks a day (five days a week) in May to 15 a day in November and December (four days a week),
- extended its Christmas/New Year plant shutdown by 8 working days to run from December 18 to January 5.

ERF has continued to out-perform most of its much bigger West European rivals operating in the UK

- reduced its workforce by some 9 per cent or 100 people to a current level of 1,000.

In spite of the general downturn in the UK truck market, ERF has continued to out-perform most of its much bigger West European rivals operating in the UK and has made impressive gains in market share in the UK heavy truck market (above 15 tonnes).

In the first 11 months it increased its UK registrations by 17.4 per cent to 4,144, compared with an increase in the overall heavy truck market of 6.2 per cent.

Its growth this year has been rivalled only by Scania of Sweden, and it has increased its share of the UK heavy truck market to 11.1 per cent from 10 per cent a year ago. It is now in fourth place behind Leyland DAF, Volvo and Mercedes-Benz.

In the first six months ERF truck sales, including exports, rose by 10 per cent to 2,158. Group turnover increased by 23 per cent to £88.16m (£71.57m). After-tax profits were virtually unchanged at £2.37m as a result of a big jump in the tax charge to £1.37m (£280,000).

Previously the group had been sheltered from paying UK corporation tax as a result of the big tax losses accumulated during the crisis years of the early 1980s, when it was on the brink of financial collapse. Profits have recovered sharply in the last three years, however, and the tax losses were exhausted in the second half of the 1988/89 financial year.

As a result of the tax charge, earnings per share fell to 24.13p (30.32p) per share.

Mr Foden said that first-half profits had also been helped by the results of its two wholly-owned distributors in Manchester and Glasgow; by the sale of plastics pressing technology to China; and by the strong performance of its South African truck and bus assembly subsidiary.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Baggeridge Brick	fin	2.375	Feb 14	1.875*	3.125	2.5*
Bulmer (HP)	int	2.88	Feb 26	2.685	-	6.945
Charter Cons	int	6.5	Jan 15	4.75	-	17.25
Chemring	fin	16.25	Jan 26	14	24.5	21.5
Collonade Devel	fin	3.2	-	1.2◆	3.2	1.2◆
ERF	int	4	-	4	-	15
Fuller, Smith	int	1.86	-	1.55	-	4.45
London Secs	int	0.5	Feb 14	-	-	1
Lovell (GF)	int	2	Jan 31	nil	-	2
M&G Second Dual	int	11.45	-	9.64	-	18.79
Moorgate Invest	int	3.2	-	2.4	-	8.68‡
NMC	int	1.25	-	1	-	3.3
Priest (Ben)	int	1.5	Feb 6	1.5☆	-	4.5☆
Stakis	fin	1.6†	Apr 11	1.33	2.31	1.95

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆After adjustment for share consolidation. ◆For 7 months period. ‡Included special 0.68p.

PUBLIC WORKS LOAN BOARD RATES

Effective December 13

	Quota loans repaid			Non-quota loans A* repaid		
Years	by EIP†	At††	at maturity§	by EIP†	At††	at maturity§
1			$14\frac{1}{8}$			$14\frac{7}{8}$
Over 1 up to 2	$13\frac{3}{4}$	$13\frac{5}{8}$	$12\frac{1}{2}$	$14\frac{3}{4}$	$14\frac{5}{8}$	$13\frac{1}{4}$
Over 2 up to 3	$12\frac{7}{8}$	$12\frac{3}{4}$	$11\frac{7}{8}$	$13\frac{7}{8}$	$13\frac{3}{4}$	$12\frac{5}{8}$
Over 3 up to 4	$12\frac{3}{8}$	$12\frac{1}{4}$	$11\frac{5}{8}$	$13\frac{3}{8}$	$13\frac{1}{4}$	$12\frac{3}{8}$
Over 4 up to 5	12	$11\frac{7}{8}$	$11\frac{1}{2}$	13	$12\frac{7}{8}$	$12\frac{1}{4}$
Over 5 up to 6	$11\frac{7}{8}$	$11\frac{3}{4}$	$11\frac{3}{8}$	$12\frac{3}{8}$	$12\frac{1}{4}$	$11\frac{7}{8}$
Over 6 up to 7	$11\frac{5}{8}$	$11\frac{5}{8}$	$11\frac{1}{4}$	$12\frac{1}{8}$	$12\frac{1}{8}$	$11\frac{3}{4}$
Over 7 up to 8	$11\frac{5}{8}$	$11\frac{1}{2}$	$11\frac{1}{8}$	$12\frac{1}{8}$	12	$11\frac{5}{8}$
Over 8 up to 9	$11\frac{1}{2}$	$11\frac{3}{8}$	$10\frac{7}{8}$	12	$11\frac{7}{8}$	$11\frac{3}{8}$
Over 9 up to 10	$11\frac{3}{8}$	$11\frac{3}{8}$	$10\frac{3}{4}$	$11\frac{7}{8}$	$11\frac{7}{8}$	$11\frac{1}{4}$
Over 10 up to 15	$11\frac{1}{8}$	$10\frac{3}{4}$	$10\frac{3}{8}$	$11\frac{5}{8}$	$11\frac{1}{4}$	$10\frac{7}{8}$
Over 15 up to 25	$10\frac{1}{2}$	$10\frac{1}{4}$	10	11	$10\frac{3}{4}$	$10\frac{1}{2}$
Over 25	$10\frac{1}{8}$	10	$9\frac{7}{8}$	$10\frac{5}{8}$	$10\frac{1}{2}$	$10\frac{3}{8}$

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

ICI and Ciba-Geigy plan OTC deal

By Peter Marsh

CIBA-GEIGY said yesterday that its proposed purchase of part of Imperial Chemical Industries' over-the-counter (OTC) healthcare businesses would strengthen its position in an area it is determined to build up during the 1990s.

The Swiss pharmaceutical company hopes shortly to conclude the acquisition of ICI's non-prescription healthcare businesses in the UK and the Irish Republic which have annual sales of about £7m.

Neither side would disclose any price for the proposed deal.

The businesses are based around sales of Savlon antiseptic skin cream and related products.

ICI, Britain's biggest chemicals company, has said it wants to get out of these areas in the UK as they do not fit in to its mainstream activities in prescription medicines.

ICI said it would continue to sell Savlon products in other countries including parts of continental Europe, Australia, Taiwan and Singapore. It might decide, however, to enter into discussions about selling its OTC activities in these other countries at a later date.

Ciba-Geigy said the proposed acquisition would nearly double its UK non-prescription healthcare product sales, now running at £11m a year. It would also give a flagship brand based around the Savlon name, the company said.

The Swiss company set up its OTC healthcare division in 1983 and sales are now running at about £130m a year, roughly half of which are in the US and the rest in Europe.

Ciba-Geigy was now in the top 20 companies worldwide in non-prescription healthcare products, the company claimed.

Goodman aims to reshape Irish dairy co-ops

By Kieran Cooke in Dublin

MR LARRY Goodman, the Republic of Ireland's and Europe's leading meat processor and exporter, yesterday announced ambitious plans for further expansion into the Irish agribusiness sector.

Food Industries, the publicly quoted company 70 per cent owned by Mr Goodman, issued proposals to amalgamate a number of milk co-ops in the north-east of Ireland and so create one of the largest dairy groups in the country.

Under the proposals, four existing milk co-ops in the area will be amalgamated to form the United Dairies Group, which will have a production capacity of more than 120m gallons of milk and sales of more than I£200m (£190.22m).

"We want to change the face of the entire dairy industry in the area," said Mr David Dilger, chief executive. He said profit margins in the Irish dairy industry were "terrible" compared to those in Denmark and the Netherlands.

The Food Industries proposals constituted a "friendly initiative" with the aim of rationalising the dairy industry, improving profit margins and ensuring higher prices for farmer suppliers, he added.

Mr Dilger said he hoped to have discussions with the management of the co-ops concerned over the next few weeks and hoped to complete the amalgamation by March.

However, there are indications that the managements of the co-ops involved in the proposals are not entirely happy with yesterday's announcement, and see it as a thinly disguised attempt by Mr Goodman to force them to the negotiating table.

Furthermore there is concern in many Irish circles about the growing influence of Mr Goodman's companies, which are now estimated to account for more than 4 per cent of the country's gross national product.

Privately held companies controlled by Mr Goodman account for about 50 per cent of the Irish beef industry. His companies also have a 20 per cent share of the country's grain handling and processing industry.

Mr Goodman first became involved in the Irish dairy industry at the beginning of last year with the takeover of the small Bailieboro Co-op, the first time big business had moved into the world of the Irish co-op, which since Ireland's independence had been controlled by the country's many thousands of small farmers.

In April this year Food Industries further expanded into the milk sector, taking control of Westmeath Co-op after a battle with Avonmore Co-op, at present Ireland's biggest milk processor. Food Industries failed in a subsequent attempt to takeover another co-op.

Mr Goodman has argued that the small co-ops are inefficient and in need of drastic rationalisation if they are to compete with other milk suppliers in Europe. He has made no secret of his plans to build Food Industries into one of the main players in European agribusiness after 1992 and clearly aims to gain control of valuable milk supplies within the EC quota regime.

Henry Barrett returns to the acquisition trail

By Andrew Bolger

HENRY BARRETT Group, the Yorkshire-based steel and industrial products company, has agreed to buy Don Reynolds Holdings (DRL) for £10.8m.

DRL, which has its headquarters in Bradford, specialises in the design, manufacture and installation of a patented system of modular flat panel cladding and curtain walling for use in modern steel-framed buildings.

DRL's patented system has applications in commercial and industrial buildings, business parks and leisure complexes. Its contracts this year include Terminal Three at Heathrow Airport, the Patent Office in Newport and and phase two of the Royal Bank of Scotland's HQ in Edinburgh.

This is the biggest single acquisition so far by Henry Barrett, its fifth since 1989 and the 13th since flotation in May 1987.

DRL vendors have warranted pre-tax profits of £1.8m for the year to December 31 on turnover of £15.7m.

The total consideration is £10.8m, of which £1.4m will be deferred.

Henry Barrett yesterday raised £5m cash by placing shares with institutions at 230p apiece. Of that sum, the DRL vendors will receive £3m, and £2m will be used to fund the relocation of the DRL business to a larger, purpose-built factory in Bradford. Henry Barrett shares closed 11p up at 258p.

Mr Richard Barrett, managing director, said the aesthetic appearance and high technical quality of DRL's system meant it was a high-margin business which would enhance the group's earnings.

He added: "The acquisition of DRL is an important part of our ongoing strategy to broaden the base of the group and increase resilience to economic downturn."

NEWS DIGEST

Chemring advances to £4.71m

SALES AT the Chemring Group advanced 31 per cent in the year ended September 30 1989, but the growth in pre-tax profit was held back to 10.5 per cent to £4.71m.

The group makes a wide range of defence and non-defence products. Mr Ian Fairfield, chairman, said the present industrial climate at home and overseas did not lend itself to over optimistic forecasting, but he was confident of growth in the year ahead.

Turnover came to £28.88m (£22.1m) and profits to £4.71m (£4.26m). The dividend is raised from 21.5p to 24.5p, with a final of 16.25p, on earnings up from 69.2p to 76.7p.

Current orders were healthy and order prospects were considered good, Mr Fairfield said.

London Securities pays maiden interim

London Securities increased taxable profits by 33 per cent from £1.14m to £1.52m in the six months to September 30 and has decided to introduce an interim dividend at 0.5p per 15p share.

The contribution from investments, including properties, jumped to £1.97m (£901,000) and rents, interest and dividends receivable put in £869,000 (£803,000). However, total costs surged to £1.32m (£569,000). Earnings per share came to 1p (1.2p).

The directors said that the £23.5m preference share issue last June had further strengthened the balance sheet. However, they expect investment opportunities to be best towards the end of next year.

Benjamin Priest up 5.5% but cautious

Benjamin Priest, the specialised engineering group, lifted profits by 5.5 per cent, from £3.28m to £3.46m, in the six months to September 29.

The directors were cautious on the outlook, but said reducing bank borrowings had put the group in a strong position at a time of high interest rates.

Sales moved ahead 21 per cent to £52.78m (£43.49m) and trading profit was £3.61m (£3.63m); the comparisons, however, included £2.74m and £245,000 respectively of Colin Stewart Minerals which was sold in March. The cash receipt from the sale was reflected in a reduction of interest charges from £345,000 to £145,000.

Mr Christopher Walliker, chairman, said the businesses were sound and many continued to perform well, including those beginning to benefit from major capital investment programmes over the last 12 months.

But he did not see any immediate upturn in the standard design winch market or in domestic housing, a sector serviced by two of the businesses.

Net profit fell to £2.25m (£2.38m) and earnings to 5.63p (5.96p) after a full tax charge (27.5 per cent). The interim dividend is held at 1.5p, adjusting for share consolidation.

Baggeridge builds 29% rise to £9.72m

Baggeridge Brick increased pre-tax profit by 29 per cent in the year ended September 30 1989, and is raising its dividend by a quarter.

Mr Peter Ward, chairman, viewed the result as particularly satisfactory, as it was achieved against the background of reduced demand for housing bricks in the second half.

Profits rose to £9.72m (£7.54m), achieved on turnover ahead 36 per cent to £33.87m (£24.96m). Earnings worked through at 15.92p (12.41p) and the final dividend is 2.375p for a total of 3.125p (2.5p).

Investments made at Kingsbury and Sedgley enabled the group to increase its share of the commercial and industrial markets. They remained strong and current order intake was buoyant, which more than compensated for lower housing demand and start-up costs of the new Waresley factory.

Mr Ward said Waresley was believed to be one of the most advanced brickworks in Europe. It had a capacity of 2m bricks per week but that had not yet been exploited.

Optometrics Corp declines to $125,000

Optometrics Corporation, the USM-quoted company formerly known as Optometrics (USA), suffered a decline in pre-tax profits from $141,000 to $125,000 (£78,000) in the six months to September 30.

The company, based in Delaware, designs and manufactures optical components and instruments for industrial and medical uses, for use with lasers and in fibre optics.

Mr Frank Denton, chairman, said that profits in the US rose by 44 per cent, but that the UK subsidiary saw profits fall following increased costs and several production delays. He said that the UK arm was now trading profitably again.

Turnover showed a marginal rise to $1.58m ($1.57m) and earnings slipped to 0.9 cents (1.2 cents) per share. There is no interim dividend.

Harrisons & Crosfield

Harrisons & Crosfield is to seek authority from shareholders to buy up to 56.8m of its ordinary shares – about 10 per cent of its issued share capital.

The authority will expire at the end of the next annual meeting and the directors intend to thereafter seek to renew the authority annually.

Fuller Smith ahead 15% to £3.9m as beer volumes rise

By John Ridding

FULLER, SMITH & Turner, the west London-based brewer, yesterday announced a near-15 per cent increase, from £3.4m to £3.9m, in pre-tax profits for the six months to September 29.

Directors said that the exceptional summer weather had helped the group achieve a substantial increase in volume sales of both its own brewed and other purchased beers.

In particular, its own brewed K2 lager saw strong sales. Fullers LA, its low alcohol bitter, met initial sales targets in bottle and has recently been introduced on draught.

The managed hotels and inns division increased profits by 14 per cent, and the wholesale and wine shop departments improved profits and sales despite experiencing a tough trading period.

The group said that about £250,000 had been spent on launching a new corporate image and redesigning packaging for its products.

The improvement in profits was achieved on sales up some 12 per cent to £28.79m (£25.58m).

Earnings per £1 A share climbed from 8.9p to 10.34p.

The interim dividend is lifted from 1.55p to 1.86p: a proportionate rise is declared for the 10p B shares.

COMPANY NEWS IN BRIEF

ARCHIMEDES INVESTMENT Trust: Net asset value per capital share at October 31 was 496.42p (447.06p). Earnings per income share were 16.65p (14.7p). Final dividend of 10.25p (8.75p) makes 16.5p (14.55p) for the year.

BRAY TECHNOLOGIES plans to sell Bray Lectroheat, its electric heating division, to Emerson Electric of the US for a total of £3.5m cash. Bray will concentrate on its core gas heating division. Bray Lectroheat made pre-tax profits of £53,000 in 1988.

BROOKS SERVICE Group has acquired Alpine Cleaning and its subsidiaries for £668,000 in shares.

HI-TECH Leasing: An order for the compulsory winding-up of the Stratford-upon-Avon company was made by the High Court on December 13 on a petition by Banque Bruxelles Lambert, a creditor for £2.7m.

MEYER INTERNATIONAL says its Dutch subsidiary has sold the pallet making business, Helvo, and two surplus properties for Fl 9.1m (£2.9m). This reflects the strategy to focus on distribution of building materials and timber.

M&G SECOND Dual Trust: Net asset value of capital shares, based on manager's middle quoted price of the M&G Dividend Fund income units on November 30 1989 was 474.53p (408.03p). Gross revenue was £1.52m (£1.29m) for the six months to end- November. Earnings per share 11.42p (9.64p). Interim dividend is raised from 9.64p to 11.45p.

MOORGATE INVESTMENT Trust is raising its interim dividend to 3.2p (2.4p) from earnings of 5.52p (4.84p) for half year ended November 30 1989. Net asset value per share was 236.2p (228.3p).

NORCROS and Sarek Holdings (UK) are to merge their joinery interests in a new company called Crosby-Sarek. Norcros will acquire Sarek from Baltic Gruppen, its Swedish parent, for £2m cash. The new company will also include Norcros' Crosby doors and windows businesses bought last year.

Correction
Pict Petroleum

The Financial Times yesterday reported that Pict Petroleum has sold its offshore exploration and producing interests. This was incorrect. The company has sold its onshore exploration and producing interests.

UK COMPANY NEWS

Bulmer vaults to £7.6m as hot summer buoys sales

By Philip Rawstorne

HIGHER advertising expenditure and good summer weather helped HP Bulmer, the Hereford-based cider maker, lift pre-tax profits 20 per cent to £7.64m in the half year to October 27.

Increased sales of all brands – taking in Strongbow and Woodpecker cider, Perrier and Buxton waters, Orangina fruit juice and Red Stripe lager – helped operating profits rise 35 per cent to £10.18m (£7.51m) on turnover ahead 25 per cent to £121.07m (£96.76m).

Interest payments rose from £1.17m to £2.53m. Mr Esmond Bulmer, chairman, said that the squeeze on consumer spending from interest and mortgage rates was likely to have an effect on the group's Christmas trade.

He added, however: "We remain confident that the heavy investment behind our brands will continue to show through in improved sales and market share."

Operating profits on cider and fruit juices were 52 per cent higher at £6.81m, with a similar increase on wines, spirits and other drinks to £2.11m.

Sales of pectin – used in a wide variety of foodproducts – were limited by production capacity and profits on the operation fell from £1.33m to £1.14m. The group is now investing £2m in expanding the Hereford plant.

Bulmer's Australian drinks business, facing tougher competition, saw profits cut by two thirds to £120,000.

Earnings per share rose from 6.4p to 7.9p. The interim dividend is raised to 2.88p (2.685p).

● COMMENT

Bulmer's bold decision last year to double its advertising spend to £11m, plus the added luck of a good summer, does seem to have revived a flagging cider market and improved the company's share of it. Draught cider sales were up by 12.6 per cent over the first nine months of this year. Bulmer estimates its brands grew 19.4 per cent, more than twice the rate of its competitors. Raising the Strongbow profile to match the heavily-advertised lagers which are its real competitors may also pay off in the post-MMC free trade. Analysts who have lived through previous cider revivals, however, remain cautious, forecasting full year profits of £13m and a prospective p/e of 14.2.

GF Lovell returns to the black

GF LOVELL's move into the building sector with the £20m acquisition of four building materials companies in August was reflected in results for the six months to September 30.

The company has moved back into the black with just a one month's contribution of £252,000 from the building division.

The confectionery side, however, remained in the doldrums producing an increased loss of £125,000 (£86,000). Group taxable profits amounted to £127,000 against a loss last time of £86,000.

Mr Peter Woodman, chairman, said the original confectionery business experienced difficult trading conditions in July and August as demand fell during the exceptionally hot weather.

The business has, since October, traded as Lovells Confectionery and Mr Woodman said that recent acquisition of Belmor Confectionery would provide a major boost to sales, the lack of which has been a major reason for the poor performance of the confectionery business in the past.

Belmor, which manufactures a niche range of quality confectionery, will also provide significant scope for profits growth.

While the trading outlook was uncertain, Mr Woodman concluded, demand in the markets in which the Lovell group operated were holding up well.

Group turnover amounted to £4.64m, with £2.65m coming from building materials and the remainder from confectionery. Earnings per share were 4.9p (loss 6p). An interim dividend of 2p is declared – last year there was a single payment of 2p.

Lovell is now quoted on the USM following the acquisition of the building materials companies, one of which only had a three year trading record.

Colonnade Development unveils reorganisation plan

THE DIRECTORS of Colonnade Development Capital, which obtained a listing in October 1988, have decided to reorganise the company.

They said that the share price had fallen to a 38 per cent discount on net asset value and British and Commonwealth Holdings, the ultimate parent company of B and C Development Capital, Colonnade's investment manager, may shortly no longer be in a position to provide continuity of investment management services.

Colonnade is offering the management team at BCDC the opportunity of joining the company on a full-time basis: these executives would acquire the 8.7 per cent holding in Colonnade held by British and Commonwealth Ventures Investment and be granted performance-related options to subscribe for shares in Colonnade.

Colonnade would acquire BCDC for £120,000 cash. It would assume management of BCDC and a limited partnership, of which BCDC is the general partner and acquire B and C Venture's interest for £25,000 cash.

The existing management contract with BCDC would be terminated for nil consideration, as would an existing option agreement under which B and C Ventures has a right to subscribe for ordinary shares in Colonnade.

Collonade would enter into a contract to manage a £9.5m portfolio of investments owned by BCVI, which is currently managed by B and C Ventures. It would also acquire BCVI's holdings in Verson International Group and Sherwood Computer Service for £2.34m cash.

In the year to October 31, Collonade's net asset value has risen to £1.93 from £1.82. Pre-tax profits totalled £287,660 compared with £93,133 for the previous 7 months period; after tax of £51,321 (£23,324) earnings per share amounted to 4.68p (1.67p).

The final dividend proposed is 3.2p (1.2p).

NMC profits advance 34% to £5.3m

NMC Group, which has interests in paper and plastic packaging, the printing industry and property development, announced a 34 per cent rise in pre-tax profits for the half year ended September 30.

On turnover 78 per cent ahead from £36m to £63.97m, the pre-tax result was £5.39m (£4m).

The directors said there had been some slackening of demand in the packaging sector, and in some areas an excess of capacity in the market.

In property, recent interest rate rises had affected demand in the commercial market generally although the market in Kent, where the company operated, remained relatively active.

The interim dividend is being increased from 1p to 1.25p.

Earnings worked through at 6.21p (6.16p) basic and 5.97p (5.95p) fully diluted. The tax charge rose from £1.4m to £1.7m.

ASW believed to be considering expansion moves

By Nick Garnett, Northern Correspondent

ASW HOLDINGS, the Cardiff-based steel-maker floated at the end of last year, is believed to be considering a number of expansion moves, including the purchase of a steel producer in continental Europe and some form of diversification in the UK.

Mr Alan Cox, chief executive, declined to make any comment yesterday about such proposals, but ASW's management structure was altered recently to allow a small group of managers more time for strategic planning.

Analysts believe that if the company does diversify in the UK, it might go for a processing company, possibly in construction materials, plastics or glass.

ASW was formed in 1981 from the pooling of some of the rod, wire and nail interests of GKN and the former British Steel Corporation. In 1987 it was the subject of a management and institutional buy-out.

The company, which has steel-making and rolling facilities in Cardiff and a rod mill in Scunthorpe, is 20 per cent-owned by British Steel with employees having about 13 per cent.

ASW has been a successful cash generator for a number of years and all the £60m debt at the time of the buy-out has been paid off.

It made a pre-tax profit of £30.9m on turnover of £392.6m in the year to end-December 1988 and a pre-tax profit of £20.1m on turnover of £235.1m for the half-year to June this year.

Mr Cox has ruled out moves into steel-finishing businesses. "Our strategy has not been for the acquisition of companies in downstream steel activities," he said.

About 40 per cent of ASW's total sales are of bar and coils for the construction industry. Its sales are biased towards heavier civil engineering rather than the more sensitive housing market.

The company, where profits per employee have risen from £300 in 1983 to £11,000 last year, will sell about £100m-worth of its products in continental Europe this year, compared with just over £40m two years ago.

Blenheim to acquire Database

Blenheim Exhibitions is acquiring Database Exhibitions for an initial £875,000 and a further possible £5m cash, depending on profits.

Database was formed in May 1988 to run the exhibition activities of its sister company, Database Publications, which publishes five magazines.

It now organises a portfolio of computer-related exhibitions, and Blenheim said it fits well with its portfolio.

Teredo recovers in second half

Teredo Petroleum, formerly Marinex Petroleum, saw profits fall from £110,000 to £91,000 in the year to September 30 on turnover of £905,000 (£596,000).

However, this was an improvement on the first half which incurred a pre-tax loss of £50,000 on turnover of £286,000.

Costs related to USM listing were £99,000 (nil), leaving a net loss for the year of £8,000 (£110,000 profit).

EC Commission seeks big cuts in fishing quotas

By Tim Dickson in Brussels

DEEP CUTS in the quotas for North Sea fishermen next year were among proposals formally agreed by the European Commission last night.

Details of the package – which is certain to provoke a heated political battle when EC Fisheries Ministers debate it next Monday and Tuesday – were still under official wraps in Brussels because negotiations with Norway over catch share-outs in certain jointly managed waters have not yet been concluded.

The Norwegian talks – always a difficult curtain-raiser to the EC's own decisions on the levels of the so-called Total Allowable Catches – are just one part of the international dimension which officials in Brussels believe will considerably complicate next week's EC meeting.

With their own fishermen facing severe financial difficulties, Britain and West Germany are anxious that concessions to Oslo are kept to the minimum, while elsewhere the Spanish Government is unhappy about an agreement which has been struck with Canada over the Community's share of fishing in zones of the North Atlantic Fisheries Organisation.

This is of prime interest to Spanish boats but the quantities involved have been much reduced.

The underlying problem in the Community is that the steady decline of EC stocks in the last couple of years – notably in the North Sea – has not been matched by a slimming down of member states' fleets. Despite scientific advice that conservation and a reduction in the fishing effort is the only long term solution, the Commission has come under fierce pressure from fishing lobbies in the last few weeks not to be too harsh with its proposals.

The detailed TACs agreed yesterday – which cover a wide range of species – nevertheless reflect big cuts in the quotas for North Sea white fish such as cod, haddock and herring.

Wool-growers consider self-imposed tax rise

By Chris Sherwell in Sydney

AUSTRALIA'S WOOL-growers, caught by weakened international demand and a costly floor price scheme, are considering a higher local wool tax to curb expanding domestic production.

The plan is the latest response to unexpectedly rapid developments in the wool market which have left the Australian industry, the biggest in the world, feeling gloomy and having to make a profound mental adjustment.

When the auctions stop for the Christmas break today, the Australian Wool Corporation, which operates the interventionist floor price scheme, will have built up a stockpile of some 1.8m bales of wool. It has already begun drawing on a specially-arranged A$500m line of credit.

At the start of the 1989-90 season in July, the AWC's coffers were bulging and its stockpile was virtually exhausted after the strong demand and record prices of the previous season. But a reactive switch in the market to other fibres, and the withdrawal of key buyers like China and Japan, has prompted a sharp reversal.

At the current floor price of 870 cents per kilogram (clean) – the same level as 1988-89 – the AWC has regularly been buying in 50-60 per cent of all offerings. Yet rather than consider lowering the floor price – something they have never done – wool-growers are considering increasing the maximum tax rate they pay on gross wool revenues – the so-called wool tax. The proceeds of this are used to support marketing programmes and research and development as well as the floor price scheme. Currently the maximum rate is 10 per cent, but the actual rate is 8 per cent, of which half goes on market support operations. The proposal under consideration is to lift the maximum to 15 per cent.

The pressure to do something to curb production is growing all the time. The AWC's 1.8m-bale stockpile figure is close to the 1974 record of 1.9m, but is larger in terms of kilograms produced because the bales are now bigger. As a percentage of the total crop, it is smaller because production is so much greater now.

According to the AWC, the forecast output of shorn wool this year is still moving upwards. In October it was put at 961m kg, up 8.5 per cent on the previous year. The industry's national forecasting committee is due to meet soon to revise that figure, and it could show an increase of 10 per cent on the year.

At the same time forecasts for export earnings from wool are falling. In 1988-89 wool earned a record A$6bn. In October the projected earnings for 1989-90 were put at A$4.9bn. The forecast now is just A$3.5bn, with significant implications for the country's chronic balance of payments deficit.

The AWC's A$500m facility, organised by the Westpac Bank, could itself run out by February. The corporation has the capacity under its existing statutes to borrow up to half its net assets, and even more provided the relevant government minister approves. The current expectation is that another borrowing will become necessary.

On the other hand, the AWC also expects the second half of the selling season to be better than the first, if only because that is the normal pattern. Offerings are usually less, and northern hemisphere demand is firmer for seasonal reasons, especially if stocks have been run down.

Against this, there is little prospect of China coming back into the market. And while lower stock levels in Japan and perhaps Europe may help the market, the real problem facing the industry is that other fibres have gained ground and weakened final demand for wool.

LME criticised over zinc move

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange executive committee came in for some criticism yesterday for intervening in the zinc market to prevent what the LME described as "an undesirable situation" developing in its zinc contracts.

Mr David King, the LME's new chief executive, told ring trading members after yesterday's official morning rings that dealers' trading cards, together with named client positions in the high grade and special high grade zinc contracts, would be called in today for scrutiny by the exchange's senior secretariat.

Last Friday the LME imposed a limit of $20 a tonne on the daily backwardation (premium for cash metal over forward prices) on the zinc contracts.

This action followed hectic activity in the zinc market last week. Some analysts suggested that this was not caused by any carefully-engineered squeeze but by a number of factors. These included the fact that some European traders gain tax benefits from having metal in stock at their financial year-end in December.

There were also suggestions that some European zinc companies were having production problems which had left the market short of physical metal.

The possible technical tightness of LME zinc supplies from mid-December into January prompted other traders to hold on to metal to cover potential commitments against options maturing on December 21.

Analysts said the LME executive acted quickly to prevent a sharp but short-lived rise in the cash price of zinc around December 20 which would almost certainly have attracted adverse publicity at a time when the exchange is attempting to establish the new Special High Grade zinc contract.

The LME has frequently made it clear in the past that it would take action to maintain an orderly market and obviously was concerned that it might be very difficult to deal with problems at the height of the Christmas holiday period.

However, some analysts suggested the LME's action was possibly too hasty. It would limit the cost to those organisations which had deliberately gone short of zinc and "nobody should go short of metal unless he is prepared to take the consequences," said one analyst last night.

Dealers say that by examining trading cards the LME secretariat will be able to establish who is long of zinc, who is short of the metal and by how much and whether the problem could be resolved or was likely to get worse.

Barrack sees big future for silicon project

Kenneth Gooding on a new operation that will add 8 per cent to world supplies

A PROJECT that will add about 8 per cent to world supplies of silicon metal and takes Australia into this fast growing business for the first time has just started up and first deliveries will take place early next year. Barrack Mining, a Perth-based group, is so confident about the future of its project that it already is seriously considering another phase which would lift silicon output from the currently proposed 50,000 tonnes a year to about 84,000 tonnes.

The company became involved in the A$120m (£59m) scheme only two years ago but already has decided to rush ahead with a second phase to double output by 1992, from the initial 25,000 tonnes, at a cost of A$90m.

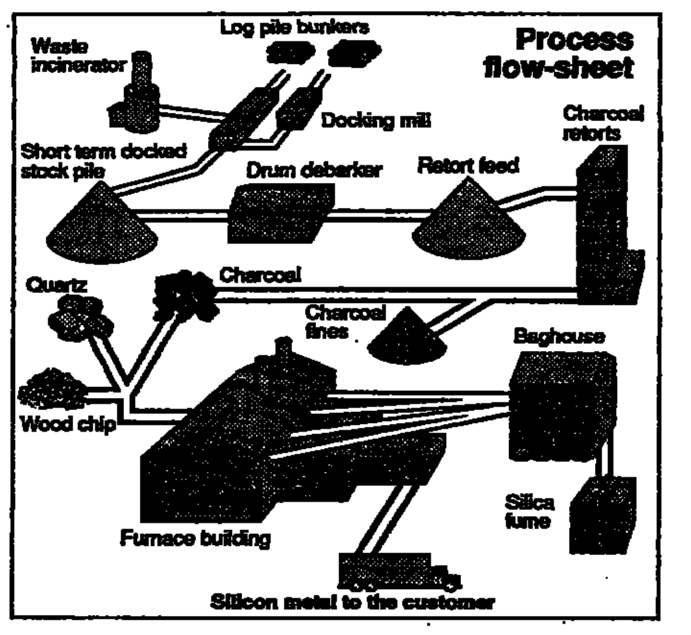
More than half the first-phase production has been committed to seven-year contracts with two companies, Thyssen Handesunion of West Germany and Dow Corning, a US group which has been working with Barrack on the development under a technology agreement.

Barrack is confident that 15 per cent of production will be delivered to Japan and other rights have bean reserved to sell product into the UK, France, Italy and to other US customers.

Silicon is a light, lustrous grey metal which, once further processed or alloyed with aluminium, is used in about 4,000 everyday products ranging from cylinder heads and engine blocks and furniture polishes to surgical aids and cosmetics.

Barrack's project is designed specifically to turn out chemical grade or metallurgical grade product. The company says the most rapidly growing segment of the market is in the chemical industries' use of silicon as the major feedstock in the synthesis of intermediate products known as silicones. From the basic silicone intermediate products a wide variety of silicone resins, lubricants, elastomers, anti-foaming compounds and water repellent compounds are manufactured.

"Silicone products are non-toxic, water resistant and chemically inert – important features in a world becoming more concerned about its environment," says Mr David Paice, Barrack's managing director. He says that automotive and silicon industry developments have been showing a combined demand growth of more than 4 per cent a year, with the expanding economies of Asia and the Pacific rim providing much of the impetus. Barrack's market research suggests that demand for quality silicon metal will outstrip supply by 1991-92.



Barrack's plant is on a new industrial complex, Kemerton, 165 km south of Perth. All three main raw materials it requires are within easy reach of the facility, a benefit not available to any competitor, suggests Mr Paice. White quartzite comes from Barrack's quarry at Moora, 345 km from Kemerton, and the reductant used is charcoal produced from a unique local hardwood, Jarrah. The charcoal is low in ash, particularly low in impurities and its electrical properties are such that the two 18 megawatt Mannesmann Demag submerged arc furnaces – due to be started up in December – will have the lowest specific power consumption of any similar furnaces in the world, according to Barrack. Even so, Barrack will become the biggest private buyer of electricity from Western Australia's State Energy Commission.

However, when Barrack acquired the silicon project for A$14m in 1987, a 20-year contract with the Commission for very low-cost power was included in the package – a contract signed when the Commission believed, wrongly as it turned out, that it would have a huge surplus of energy available from the development of the North West Shelf oil and gas field.

Mr Paice says the project will produce silicon in the lowest cost quartile of silicon producers thanks to the low cost power and the local availability of raw materials. Initial production costs are estimated at A$1,400 a tonne, dropping to A$1,250 in 1991. This compares with the current retail price for chemical grade silicon of about US$1,250 (A$1,600) a tonne.

Barrack raised A$86m of non-recourse project finance from a syndicate of international banks for the scheme. To reduce its exposure to exchange rate fluctuations it has hedged 25 per cent of future sales proceeds to August 1998 at an average forward rate of 67.73 US cents/A$.

Mr Paice says his company could also have signed long term contracts for more than 55 per cent of the initial phase production but that was all it required to be sure of covering production costs.

He says confidently that in 1990, when output hits the first annual target of 25,000 tonnes, the project will add A$17m to Barracks pre-tax profits, which in the year to last June nearly doubled to A$31.8m.

By 1995 silicon should be contributing about 25 per cent of the company's profit, copper another 25 per cent and the rest will come from its gold production, which according to Mr Paice is destined to rise from about 100,000 troy ounces this year to 500,000 ounces.

Mr Paice suggests that demand growth for silanes, intermediate silicon products, is so strong that before long the world will need a new production facility. "We would love to have that plant here in Western Australia," he adds and points out that the State is geographically well positioned to service growing demand from the Pacific Basin.

Barrack would also be prepared to be involved in such a project, which would need further investment of more than A$700m. But no matter who built the facility, if it was in Western Australia it would require Barrack to lift annual silicon output to about 84,000 tonnes.

Barrack is part of the Barrack House group, controlled by Mr Dennis Horgan, an entrepreneur who remains untainted by the many difficulties currently troubling some prominent Perth businessmen.

The silicon project will, from the outset, generate an extra A$65m a year in Australian exports and Mr Horgan points out: "The future of our country and Western Australia – and also of Barrack – lies in increasing the value of our exports. Where possible this must be achieved by adding value rather than merely increasing volume of exports.

"The silicon plant is only the first stage of an ideal opportunity to add value. We are directing our energies to build on the initial stage by, firstly, doubling capacity to improve our competetive position and, secondly, using this competitive position to plan for adding value by further downstream processing of our silicon in a new business producing silanes in Western Australia."

Conference warned of eggs shortage

By Geoff Tansey

AN EGG shortage early next year and the elimination of most independent and free-range UK egg producers over the next few years was forecast at a recent conference organised by the Food Policy Research Unit at the University of Bradford.

Egg sales "are about 10 per cent below this time last year but prices are at an all-time record," Mr Richard North, consultant to the UK Egg Producers Association told the conference, entitled Poultry – Current Problems and Future Prospects.

He accused the Ministry of Agriculture of terrorising the industry through the zoonosis order, which requires slaughter for salmonella-infected laying flocks.

The ministry did not pay adequate compensation, sample the flocks scientifically, provide sufficient information, or kill the birds humanely or in a way that did not destroy evidence for the necessary research into salmonella, Mr North claimed.

Others called for imported poultry and eggs to be subject to the same controls as those produced in the UK and harmonisation of rules in the EC.

While salmonella contamination in eggs was said to range from about 0.03 per cent – five in 17,000 - to 1 in 300 from a 100 per cent contaminated flock, Mr North claimed that up to 60 per cent of broilers were contaminated. This rose to nearly 80 per cent of frozen chickens, according to Mr Will Waites Professor of Food Microbiology at the University of Nottingham and a member of the Food Safety Advisory Centre.

"With these carriage rates on carcasses we must be aware we are handling something that can lead to food poisoning," he said.

In Sweden, chickens now carry a health warning about the need to cook thoroughly according to Ms Agneta Alderin, a senior vet from Kalmar. The Swedes have reduced the incidence of salmonella in broilers to less than 5 per cent, she said, through a flock testing programme, slaughtering policy, producer, transport and processor hygiene rules.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices came under pressure on the bullion market yesterday, and many dealers continued to trade after the normal end of business quote had been given. Chart-based selling and the dollar's recovery from early losses both contributed to the sharp decline. Dealers said further losses were possible in the immediate future, although the longer term uptrend remained intact. On the LME copper prices rose sharply towards the close. Complacency among many major players seemed to induce fresh selling which established a substantially oversold position and led to a wave of nervous short covering when Comex staged a sudden rally, traders said. Analysts said the market appeared to be making a technical correction as bearish fundamentals remain unchanged.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-6.95z	-.05
Brent Blend	$19.55-9.70z	+.15
W.T.I. (1 pm est)	$20.73-0.76z	-.07
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$191-193	+1
Gas Oil	$221-222	
Heavy Fuel Oil	$117-119	+1
Naphtha	$174-176	+3
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$411.75	-5.50
Silver (per troy oz)♣	559c	-11
Platinum (per troy oz)	$511.50	-.65
Palladium (per troy oz)	$139.05	-1.10
Aluminium (free market)	$1630	+30
Copper (US Producer)	108⅞-112c	-½
Lead (US Producer)	39.5c	
Nickel (free market)	415c	+10
Tin (Kuala Lumpur market)	18.08r	+.16
Tin (New York)	329c	+15
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	115.00p	+1.98*
Sheep (dead weight)†	199.26p	-12.92
Pigs (live weight)†	85.73p	-1.69*
London daily sugar (raw)	$333.0x	+4.6
London daily sugar (white)	$375.0x	+3.0
Tate and Lyle export price	£321.0	+2.0
Barley (English feed)	£116.5	
Maize (US No. 3 yellow)	£129.5	+1.0
Wheat (US Dark Northern)	£132.0	
Rubber (spot)♥	54.75p	
Rubber (Jan)♥	57.25p	
Rubber (Feb)♥	58.25p	
Rubber (KL RSS No 1 Jan)	224.0m	-1.0
Coconut oil (Philippines)§	$422.5x	-2.5
Palm Oil (Malaysian)§	$270.0	-5.0
Copra (Philippines)§	$260	
Soyabeans (US)	£169.0x	-2.0
Cotton "A" Index	77.20c	+.15
Wooltops (64s Super)	576p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec. w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Dec	680	690	685	680
Mar	653	660	667	652
May	664	672	678	663
Jul	679	684	692	675
Sep	694	698	705	693
Dec	715	721	727	715
Mar	735	740	746	737

Turnover: 7808 (2836) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 13 761.01 (775.96):10 day average for Dec 14 760.77 (759.43)

COFFEE – London FOX £/tonne

	Close	Previous	High	Low
Jan	663	659	664	651
Mar	662	661	663	651
May	678	672	675	664
Jul	694	686	692	680
Sep	712	708	710	701
Nov	727	725	725	720
Jan	747	745	742	

Turnover: 3152 (3189) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 12: Comp. daily 61.95 (62.20). 15 day average 61.35 (61.30)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Mar	304.00	302.80	307.80	303.00
May	304.40	303.20	307.20	304.00
Aug	301.60	301.00	304.40	302.00
Oct	293.80	293.20	298.00	294.00
Dec	291.80	291.60	295.00	295.00
Mar	279.60	278.80	282.00	279.00
White	**Close**	**Previous**	**High**	**Low**
Mar	372.00	373.00	374.00	372.00
May	378.50	379.50	380.50	378.00
Aug	386.50	387.00	389.00	385.50
Oct	360.00	360.50	361.00	358.50
Dec	350.00	349.00	350.00	349.00
Mar	350.00	349.00	350.50	350.00

Turnover: Raw 3532 (3396) lots of 50 tonnes. White 2381 (1015)
Paris- White (FFr per tonne): Mar 2220, May 2265, Aug 2320, Oct 2160, Dec 2120, Mar 2120.

CRUDE OIL – IPE $/barrel

	Close	Previous	High	Low
Feb	19.23	19.11	19.28	19.18
Mar	18.82	18.77	18.88	18.80
Apr	18.58	18.53	18.70	18.60
IPE index	19.08	19.10	19.08	

Turnover: 5315 (3709)

GAS OIL – IPE $/tonne

	Close	Previous	High	Low
Jan	209.25	210.75	215.25	208.00
Feb	195.25	197.25	201.00	194.00
Mar	181.50	184.75	187.25	181.50
Apr	169.50	172.00	176.25	169.00
May	165.00	168.25	170.50	164.75
Jun	159.50	162.00	164.75	159.00
Jul	159.75	161.50	162.00	162.00

Turnover 10120 (9434)lots of 100 tonnes

WOOL
A rise in the Australian Wool Corporation's market indicator of only 1 cent, taking it to 879, has at least shown that all price movements do not invariably favour the buyer in the wool market. Finer merino fleece met with sufficient demand for increases of a cent or two in selling prices to cause the first upward change in the market indicator for weeks. With the Christmas recess imminent and AWC comment emphasising that the second half of the selling season could see a change for the better, wool market pointers are at least no worse. Little improvement can be seen in the wool using markets, however.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,325 tonne
Cash	1641-5	1615-20	1683/1630	1683-4		
3 months	1636-40	1615-20	1636/1625	1627-8	1635-6	35,679 lots
Copper, Grade A (£ per tonne)						Ring turnover 37,650 tonne
Cash	1525-7	1471-3	1495/1494	1494-5		
3 months	1529-30	1467-8	1535/1493	1499-500	1534-5	74,302 lots
Lead (£ per tonne)						Ring turnover 9,350 tonne
Cash	450-2	434-5	455/430	455-7		
3 months	435-7	426-7	438/429	437-7.5	434-5	11,153 lots
Nickel ($ per tonne)						Ring turnover 1,554 tonne
Cash	9200-300	8800-900	9200	8950-60		
3 months	8200-300	8050-75	8200/8075	8140-60	8100-50	7,650 lots
Tin ($ per tonne)						Ring turnover 4,450 tonne
Cash	7130-50	6850-60	7140	7140-50		
3 months	7230-40	6940-50	7275/7050	7210-20	7270-5	5,597 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 18,175 tonne
Cash	1570-80	1485-95	1550/1540	1545-50		
3 months	1405-6	1385-90	1415/1390	1412-5	1400-2	16,602 lots
Zinc ($ per tonne)						Ring turnover 1,350 tonne
Cash	1525-35	1470-80		1495-500		
3 months	1385-90	1370-80	1380	1375-80	1380-90	1,747 lots

LME Closing £/$ rate:
SPOT: 1.5960 3 months: 1.5734 6 months: 1.5476 9 months: 1.5274

POTATOES – BFE £/tonne

	Close	Previous	High	Low
Apr	208.8	209.4	208.5	206.4
May	231.8	233.5	232.0	

Turnover 285 (178) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High	Low
Feb	139.50	141.50	139.00	
Apr	140.00	140.80	140.50	140.00
Jun	139.50	140.00	139.00	

Turnover 65 (5) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High	Low
Dec	1610	1609	1610	1610
Jan	1645	1645	1652	1645
Apr	1665	1664	1665	1663
Jul	1416	1404		
BFI	1603	1604	1603	

Turnover 112 (232)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High	Low
Jan	113.55	113.40	113.60	113.35
Mar	116.80	116.80	117.00	116.75
May	120.40	120.15	120.40	120.15
Jun	121.60	121.60	121.60	
Sep	108.15	108.15		
Nov	109.50	109.25	109.25	
Barley	**Close**	**Previous**	**High**	**Low**
Jan	111.35	111.75	111.75	111.35
Mar	113.55	113.65	113.70	113.55
May	115.00	115.10		

Turnover: Wheat 189 (253), Barley 32 (25).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	108.5	108.5	
Apr	109.0	108.5	
Jun	109.5	109.5	
Aug	110.0	109.5	

Turnover 0 (20) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	411½-412	256¾-257¼
Opening	417-417½	259-259½
Morning fix	417.10	259.278
Afternoon fix	413.00	257.193
Day's high	417½-418	
Day's low	410½-411	
Coins	**$ price**	**£ equivalent**
Mapleleaf	420-425	262-265
Britannia	420-425	262-265
US Eagle	420-425	262-265
Angel	424-429	265¼-268½
Krugerrand	411-414	256½-258½
New Sov.	98-100	61-62
Old Sov.	98-100	61-62
Noble Plat	517.65-525.80	322.20-327.30
Silver fix	**p/fine oz**	**US cts equiv**
Spot	352.85	566.60
3 months	365.80	578.35
6 months	379.80	590.10
12 months	404.25	613.40

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1550	101	108	2	21
1650	28	50	29	61
1750	3	19	103	127
Copper (Grade A)	**Calls**		**Puts**	
2300	135	155	9	54
2400	63	100	35	97
2500	21	61	93	155
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
600	62	70		9
650	17	37	5	26
700	2	20	40	59
Cocoa	**Mar**	**May**	**Mar**	**May**
600	66	82	13	18
650	36	51	33	37
700	17	30	64	68
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
1800	129	108	6	25
1850	85	74	14	43
1900	51	50	25	67

US MARKETS

IN THE METALS, gold futures fell sharply due to massive long liquidation after several up sessions, reports Drexel Burnham Lambert. The February contract lost 9.90 closing at 412.90. Silver and platinum were down on spillover selling from gold. Copper rebounded higher from commission house and local short covering. In the softs, cocoa prices were driven lower by heavy trade and commission house activity. Prices finished the day down 24 basis March. Sugar and coffee were both slow. The grains were uneventful except for a late day rally in the soybeans. Light commercial buying helped keep wheat futures firm. The livestocks had strong gains in the bellies due mostly to buy stops. Live hogs and cattle were featureless. Commission houses and local traders pushed cotton higher. The energy complex was firm. Heating oil was again the most active posting strong gains.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Dec	408.1	417.9	416.8	408.1
Jan	410.4	420.3	0	0
Feb	412.9	422.8	421.7	412.3
Apr	417.8	427.8	426.8	417.4
Jun	422.7	432.8	432.4	422.5
Aug	427.4	437.6	431.5	429.5
Oct	432.4	442.7	438.0	434.6
Dec	437.5	447.9	444.5	436.5
Feb	442.8	453.3	445.4	444.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Dec	500.7	514.5	0	0
Jan	504.7	518.5	517.5	503.5
Apr	508.6	522.3	521.0	507.2
Jul	513.2	527.3	518.5	514.7
Oct	519.6	533.7	524.0	521.5

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Dec	554.4	567.2	568.0	554.0
Jan	557.3	570.3	0	0
Feb	561.0	574.0	0	0
Mar	565.5	578.5	579.5	564.0
May	573.6	586.6	587.0	572.0
Jul	581.6	594.7	595.5	579.0
Sep	589.8	603.0	595.0	588.0
Dec	601.9	615.3	614.0	601.0
Jan	605.6	618.9	0	0
Mar	613.9	627.5	620.0	620.0

INDICES

REUTERS (Base: September 18 1931 = 100)				
	Dec 13	Dec 12	mnth ago	yr ago
	1810.9	1812.3	1876.1	1903.6
DOW JONES (Base: Dec. 31 1974 = 100)				
	Dec 12	Dec 11	mnth ago	yr ago
Spot	127.99	128.12	129.86	137.62
Futures	130.02	130.33	131.65	140.67

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Dec	106.50	103.10	106.60	104.79
Jan	106.20	102.60	106.40	104.70
Feb	105.60	102.20	105.60	104.50
Mar	105.40	101.80	106.00	103.50
Apr	104.60	101.35	0	0
May	104.20	100.90	104.10	102.70
Jun	103.85	100.60	0	0
Jul	103.40	100.20	103.50	102.10
Aug	103.00	99.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Jan	20.72	20.65	20.96	20.68
Feb	20.44	20.41	20.66	20.38
Mar	20.17	20.18	20.39	20.12
Apr	19.93	19.94	20.13	19.88
May	19.77	19.75	19.92	19.66
Jun	19.55	19.56	19.72	19.55
Jul	19.34	19.36	19.51	19.34
Aug	19.19	19.21	19.41	19.19
Sep	19.02	19.07	19.25	19.02
Oct	19.07	18.96	19.11	19.07

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Jan	6785	6730	6880	6710
Feb	6390	6415	6515	6340
Mar	5910	5985	6055	5890
Apr	5530	5569	5635	5500
May	5330	5324	5380	5270
Jun	5210	5184	5270	5180
Jul	5180	5134	5225	5150
Aug	5210	5174	5229	5210

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Dec	941	965	968	965
Mar	936	960	972	924
May	945	964	974	933
Jul	961	980	992	951
Sep	981	999	1007	973
Dec	1010	1022	1029	999
Mar	1027	1039	1020	1020
May	1041	1053	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Dec	74.99	74.75	75.00	74.20
Mar	77.96	77.56	78.60	77.10
May	79.93	79.75	80.65	79.25
Jul	82.25	82.05	82.90	81.60
Sep	84.40	84.13	84.65	83.75
Dec	87.50	86.63	87.75	86.75
Mar	90.70	90.50	0	0
May	92.00	91.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Jan	13.95	13.90	0	0
Mar	13.76	13.72	13.93	13.75
May	13.74	13.70	13.89	13.71
Jul	13.68	13.65	13.76	13.57
Oct	13.23	13.18	13.40	13.22
Mar	12.75	12.68	12.88	12.80
May	12.67	12.58	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Mar	69.07	68.23	69.15	68.25
May	70.03	69.10	70.05	69.20
Jul	69.95	69.18	70.05	69.20
Dec	64.55	63.81	64.65	64.00
Mar	64.95	64.55	64.95	64.95

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Jan	131.10	131.00	131.40	129.70
Mar	131.85	131.45	132.05	129.25
May	131.10	130.35	131.45	129.00
Jul	130.25	129.70	130.35	128.50
Sep	128.95	128.45	129.00	128.80
Nov	128.65	128.10	129.00	129.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Jan	580/4	577/0	581/0	573/2
Mar	594/4	590/4	595/0	587/0
May	606/6	602/4	607/0	599/2
Jul	616/4	613/0	617/0	609/6
Aug	618/6	615/0	619/0	612/4
Sep	616/2	610/0	616/4	611/0
Nov	619/6	613/6	620/0	613/4
Jan	631/0	624/0	631/0	624/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Dec	19.03	18.89	19.07	18.76
Jan	19.17	19.05	19.22	18.92
Mar	19.61	19.49	19.65	19.35
May	19.98	19.89	20.02	19.74
Jul	20.20	20.14	20.22	19.98
Aug	20.17	20.16	20.20	20.02
Sep	20.17	20.16	20.20	20.06
Oct	20.19	20.18	20.23	20.08

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Dec	182.6	180.6	182.8	179.5
Jan	182.4	180.6	182.6	179.5
Mar	183.5	181.6	183.8	180.4
May	184.0	182.2	184.0	181.6
Jul	184.7	183.3	185.0	183.1
Aug	185.5	183.8	186.0	183.7
Sep	186.5	184.8	187.0	184.3
Oct	186.5	184.5	187.5	185.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Dec	233/2	233/0	234/4	231/6
Mar	241/0	239/6	241/0	239/4
May	246/2	244/6	246/2	244/4
Jul	249/6	248/2	249/6	247/6
Sep	246/0	243/6	246/2	244/4
Dec	245/0	243/4	245/0	243/0
Mar	252/0	250/4	252/0	250/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Dec	414/4	413/4	414/4	410/6
Mar	414/6	413/0	415/0	411/0
May	391/6	390/2	392/0	389/0
Jul	360/6	359/4	361/0	358/2
Sep	365/4	364/4	366/0	363/4
Dec	376/0	375/0	376/4	374/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Dec	76.80	76.87	76.90	76.62
Feb	75.40	75.30	75.45	75.10
Apr	74.35	74.35	74.42	74.12
Jun	71.40	71.32	71.40	71.12
Aug	70.12	70.15	70.22	69.95
Oct	70.25	70.20	70.27	70.10

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Dec	51.70	50.92	51.75	50.57
Feb	48.85	48.62	48.92	47.95
Apr	45.05	44.82	45.20	44.27
Jun	48.40	48.20	48.50	47.75
Jul	48.30	48.35	48.60	47.80
Aug	47.47	47.45	47.50	46.90
Oct	43.47	43.65	43.60	43.30
Dec	45.45	45.60	45.50	45.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	51.90	50.37	52.30	50.50
Mar	51.77	50.47	52.17	50.35
May	52.35	50.85	52.70	51.00
Jul	52.40	50.87	52.75	51.00
Aug	50.40	48.90	50.90	49.75
Feb	53.30	53.97	0	53.30
Mar	53.00	54.00	0	53.00

LONDON STOCK EXCHANGE

London shares follow New York lead

THE UNDERLYING optimism of the UK stock market received a further boost yesterday from the overnight strength of the US and Tokyo markets. London trading volumes improved significantly as the international blue chips, encouraged also by a renewed dip in the sterling exchange rate, attracted buyers. The newly-privatised UK water company stocks added a scattering of small gains to the substantial premiums on offer prices chalked up on Tuesday, but they traded less frenetically.

Equities made a strong start, with oil stocks to the fore on the back of Wall Street's 23

Account Dealing Dates		
*First Dealings: Nov 27	Dec 11	Dec 27
Option Declarations: Dec 7	Dec 21	Jan 11
Last Dealings: Dec 8	Dec 22	Jan 12
Account Day: Dec 18	Jan 8	Jan 22

*New time dealings may take place from 9.00 am two business days earlier

point gain. Interest soon fanned out across the range of international stocks as traders scented a buy programme in these blue chip issues, reportedly from a US securities house.

But gains were selective and progress was somewhat erratic at first as profits were taken. The pace slackened when Wall Street made a sluggish start to the new session but picked up again as the New York market began to renew its advance in the early part of the trading session.

London pushed ahead to close very near the top of the day, with a net gain of 22.7 on the FT-SE Index, finally at 2,386.2. Seaq volume of 429m compared reasonably with recent daily averages, setting aside Tuesday's 800.4m, substantially inflated by the hectic trading in the ten water privatisation issues.

While international factors, including the unexpectedly strong rise of 0.8 per cent in US retail sales for November, were clearly helping London yesterday, the domestic backcloth remained dull. Asda, the food supermarket group, was downgraded by BZW, the London investment bank, and there were hints that a downgrading of ICI, one of the market's blue chip leaders, was also in the pipeline. County NatWest, another of the big UK investment banks, downgraded Cookson, the industrial group.

"However, we don't bother about things like that just now," commented one trader. The London market takes the view that much of the bad corporate news expected early next year has been discounted.

Nevertheless, many leading trading firms continue to advise caution. Kleinwort Benson, the London merchant bank, while believing that equities could make further ground before the year-end – "(Footsie) 2,400 could be passed."- adds that a setback is expected early in 1990 which could take the Footsie back to 2,250, and does not rule out a more serious fall.

● **The FT-SE Index Steering Committee decided yesterday to add Globe Investment Trust and Thames Water to the constituents of the Footsie Index, effective from January 2 next. They will replace Granada Group and Siebe.**

FINANCIAL TIMES STOCK INDICES

	Dec 13	Dec 12	Dec 11	Dec 8	Dec 7	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.68	83.77	83.62	83.14	83.02	86.18	89.29 (8/2)	82.93 (4/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.19	92.21	92.13	92.02	92.27	96.14	98.59 (15/3)	92.02 (8/12)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1880.1	1861.5	1851.8	1862.0	1850.9	1424.2	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	317.8	317.4	312.8	300.5	297.3	170.4	317.8 (13/12)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2386.2	2363.5	2351.4	2363.5	2346.7	1756.1	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.52	4.57	4.59	4.58	4.61	5.15				
Earning Yld %(full)	11.01	11.14	11.19	11.16	11.23	13.01				
P/E Ratio(Net)(☆)	10.99	10.87	10.82	10.85	10.78	9.28				
SEAQ Bargains(5pm)	39,212	49,723	23,426	30,413	28,622	19,223				
Equity Turnover(£m)†	-	1616.40	622.26	826.00	997.31	856.26				
Equity Bargains†	-	53,506	24,508	32,305	30,974	21,171				
Shares Traded (ml)†	-	669.1	294.5	427.7	419.1	414.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.92

Ordinary Share Index, Hourly changes — Day's High 1880.2 — Day's Low 1866.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1870.9	1868.0	1867.3	1870.2	1871.6	1872.8	1873.5	1874.0

FT-SE, Hourly changes — Day's High 2386.7 — Day's Low 2370.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2379.2	2373.9	2374.8	2380.0	2381.0	2382.7	2380.1	2380.1

GILT EDGED ACTIVITY

Indices*	Dec 12	Dec 11
Gilt Edged Bargains	77.0	81.1
5–Day average	81.6	83.3

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	717	201	-1	Comm. Union	286	491	+2	Lloyds Bank	2,300	437	+4	Sears	415	105	
ASDA Group	8,400	110	+1	Cookson	394	272	-1	LASMO	1,600	588	-3	Sedgwick	452	296	-3
Abbey National	5,700	173	+3	Courtaulds	739	365	-2	Lonrho	7,100	259	-3	Shell Transport	8,100	493	+11
Allied–Lyons	821	499	+9	Dalgety	348	401	-2	Lucas	335	643	+4	Siebe	647	489	+5
Amstrad	4,100	46	+2	Dixons	1,200	135	-1	MB Group	1,200	198	+1	Slough Ests	527	321	+1
Argyll Group	1,900	211	-5	Eng. China Clays	708	438	-2	MEPC	1,100	532	+6	Smith (W.H.) A	10	335	+2
Ass. Brit. Foods	727	423	-5	Enterprise Oil	1,000	658	-10	Marks & Spencer	1,900	200	+1	Smith & Nephew	3,500	133½	+3½
BAA	577	392	+5	FKI	652	81½	+½	Maxwell Comm.	384	237	+1	SmKl Beecham	1,300	614	+10
BAT Inds.	2,700	828	+2	Ferranti	846	39	-½	Mecca Leisure	607	185	+2	SmKl Beecham Eq. Uts	99	2705	+17
BET	2,200	275		Fisons	660	359	-3	Midland Bank	1,400	370	-2	Smiths Inds.	184	297	+3
BICC	780	477	+1	Gen. Accident	309	1170		NatWest Bank	4,200	347	+11	Standard Chartd.	3,200	598	+12
BOC	602	635	-4	General Elect.	2,600	227½	+3½	Next	907	80	-1	Storehouse	1,200	113	
BPB Inds.	168	231		Glaxo	2,100	822	+25	Northern Foods	637	323	+7	Sun Alliance	658	322	-1
BTR	1,400	470	+2	Globe Inv.	151	198	+1	Pearl	9	687	+1	Sun Life	7	1280	
Barclays	1,800	563	+11	Glynwed Int.	859	257	+9	Pearson	141	784	+3	T&N	838	207	+5
Bass	344	1053	+11	Granada	1,600	310	+8	P & O	963	598	+2	TI Group	525	425	+1
Beazer	2,200	185	+2	Grand Met.	1,400	607	+6	Pilkington	4,500	234		TSB	2,100	129½	+½
Berisford Int.	920	161	+9	GUS A	87	1101	-8	Polly Peck Intl.	1,300	402	-1	Tarmac	1,000	237	-2
Blue Arrow	416	92	-1	GRE	1,800	231	-1	Prudential	1,800	220	-2	Tate & Lyle	3,100	282	+9
Blue Circle	1,000	238	+2	GKN	861	423	+1	RHM	501	419		Taylor Woodrow	636	292	
Boots	1,000	271½	+2½	Guinness	1,200	861	+11	RMC	92	654	-7	Tesco	1,300	192	-3
Brit. & Comm.	6,600	98	-1	Hammerson 'A'	51	827	-1	RTZ	1,300	578	+1	THORN EMI	385	785	+8
Brit. Aerospace	742	572	+11	Hanson	6,300	225	+1½	Racal	6,300	245	+4	Trafalgar House	499	365	+5
British Airways	3,400	213	+2	Hanson Warrants	817	54		Racal Telecom	358	404	+1	Trusthouse Forte	831	302	+1
British Gas	10,000	231	+2½	Harrisons Cros.	302	181	+6	Rank Org.	389	841	+4	Ultramar	2,865	358	
British Land	787	593	-5	Hawker Sidd.	383	691	+17	Reckitt & Colman	152	1285	+20	Unigate	489	337	+1
BP	11,900	341	+8	Hillsdown	825	276	+2	Redland	791	541	+1	Unilever	1,000	717	+15
British Steel	2,800	132½	+1	IMI	188	213	+2	Reed Intl.	3,400	448	+18	United Biscuits	1,400	361	-3
British Telecom	8,100	292½	+3	ICI	3,100	1137	+12	Reuters	2,800	1089	+68	Utd. Newspapers	254	472	-1
Bunzl	1,000	104	-1	Inchcape	231	287	-7	Rolls Royce	2,100	174	+3	Wellcome	319	757	+7
Burmah Oil	88	876	-3	Jaguar	226	848	+1	Rothmans	376	665	-1	Whitbread 'A'	670	396	
Burton	648	194		Kingfisher	451	290		Ryl Bk Scotland	2,300	200	+3	Williams Hldgs.	1,200	253	+7
Cable & Wire.	1,500	526	+6	Ladbroke	883	317	+2	Royal Insurance	1,600	514	-1	Willis Faber	296	286	-5
Cadburys	837	382	-2	Land Securities	621	528	+6	STC	4,800	255	-15	Wimpey	46	246	
Calor Group	245	452	-1	Laporte	774	485	+9	Saatchi	1,400	252	-3				
Carlton Comms.	902	838	+7	Legal & General	1,300	410		Sainsbury	2,300	280	-7				
Coats Viyella	539	144	+1	Lloyds Abbey	355	301	+2	Scottish & New.	1,300	354	+10				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Doubts on rise in oil shares

The oil and gas stocks were among the market's front runners with share prices taking another step forward as oil and gas product prices responded to the continuing bleak weather across the United States. Additionally boosted by heavy overnight US buying interest, the UK oil majors rose strongly throughout the session in unusually high turnover before closing fractionally off the day's best levels.

But many analysts took the view that the recent strong run by the oil stocks had gone too far too fast. Hoare Govett described the sector as "too frothy". Mr Jeremy Hudson of Shearson Lehman Hutton said: "The US institutions have been very under weight in international oils and are now window- dressing. Against this, UK funds are fully weighted in oil stocks.

"I think it's time to call a halt to buying of the UK majors for the time being; UK stocks are cheap against the US issues, but Shell is now yielding less than Exxon and Texaco, while price earnings ratios on the US majors are two to three points lower than BP and Shell.

Another cautious view came from Mr Stephen Turner of Smith New Court who commented :"Oil prices have been buoyed by the weather in the US but that doesn't change the fundamentals of what will be a tricky period for OPEC in the early part of next year, when seasonal demand will decline. We recommend topslicing overweight positions in the majors."

BP closed 8 higher at 341p on very good turnover of 12m, while Shell added 11 at 493p on turnover of 8.2m.

Water prospects

Activity in shares of the newly-privatised water companies was much quieter than Tuesday's debut performance but nevertheless kept dealers on the alert for any more signs of stake-building operations by UK institutions and possible overseas predators.

As one senior marketmaker said "We are expecting plenty of bundling and unbundling in these stocks, which is hardly surprising as holdings in the stocks will not show up on share registers until next month. So obviously now is the time to accumulate holdings of up to 5 per cent."

He said prices generally opened firmer but drifted off their best levels after keen two-way interest. Mr Nigel Hawkins at Hoare Govett described the day as "a period of consolidation, with many institutions holding off from the market until the selling by private investors has abated."

Specialists noted further persistent buying interest in Wessex, possibly on behalf of a potential stake-builder while it was also pointed out that there had been a single application for 5m shares in Yorkshire, which represents a stake of some 2.5 per cent of the water company. The name of Generale of France was linked with Yorkshire.

The biggest turnover yesterday, 16m shares apiece, was in North West and Severn Trent. The former rose 4 to 139p and the latter eased 1½ to 129½p. Anglian were a penny up at 149½p on 13m while Thames hardened 1½ to 137½p on 11m.

Berisford move

Growing speculation of an imminent deal in the food manufacturing sector hit home with a cross of 9.6m shares in Berisford International, later confirmed as Mr Larry Goodman, the Irish entrepreneur increasing his stake in the UK food group from 9.8 per cent to 11.8 per cent, or 57.69m shares.

Dealers said that stories of a move against Berisford had been gaining strength in recent days. AB Foods has a 23 per cent stake in Berisford and the Pritzker interest speak for 11 per cent.

Berisford is due to report preliminary figures on Monday with estimates of pre-tax profits in the region of £110m, against last year's £101.6m.

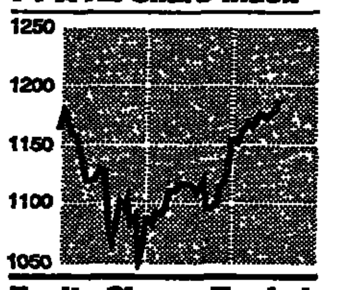
At the close Berisford shares were 9 higher at 161p on turnover of less than 1m shares. The two blocks of 9.6m shares showed up on the Seaq overnight deals list.

The recent demand for Reuters shares from the US funds finally caught London marketmakers hopelessly short of stock yesterday. The price opened sharply higher after a further rise in New York in American Depositary Receipt (SDR) form. Turnover in London was good, but not dramatically so, at 2.7m shares.

There was further, albeit less forceful demand from the US when wall Street opened for the new session and the shares moved up afresh, to end the day 68 up at 1088p. Traders, excited by the strength of the share gain, eagerly sought a convincing reason, quoting supposed recommendations by US firms.

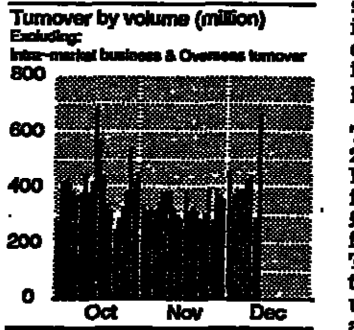
But the ADR specialists which have been buying Reuter shares in London to meet New York appetites maintained that yesterday's panic rise reflected nothing more than an extreme squeeze on marketmaker positions in the

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



London market.

Shares in Charter Consolidated, the mining and industrial holding company, eased on news of an acquisition, as the company reported interim figures in line with market forecasts yesterday.

The company announced it was to buy the quarries businesses of Anglo United for £53.5m in cash. The news came as Charter Consolidated revealed a 20 per cent rise in interim profits to £38.5m. Earnings per share were up 20 per cent to 24.2p, while the interim dividend rose 37 per cent to 6.5p.

Mr Alan Richards at BZW said the results were in line with his forecasts but added, "the company is trying to achieve a lot but these results do not prove it yet." As for the purchase of the quarries business, he said it was, "not necessarily the answer at this sort of price."

BZW have however upgraded full year profit expectations from £78m to £82m. Also increasing profit forecasts for the full year is Citicorp Scrimgeour Vickers which lifted its prediction from £77m to £81m.

Shares in Anglo United gained 1½ to 53p on news of the sale, while Shares in Johnson Matthey, in which Charter Consolidated has a 38.7 per cent stake, fell in sympathy. The shares gave up 5 to 335p.

The clearing banks rose strongly. Barclays adding 11 to 563p, still boosted by the recent lunch with one of the top UK investment banks. NatWest, said to be at a relative low against the rest of the banks sector, bounced strongly to close 11 higher at 347p on good turnover of 3.6m. Standard Chartered were bought on suggestions that the group will receive a much better than expected amount for its Singapore headquarters. Abbey National added 3 to a record 173p on 5.7m. American buying lifted SG Warburg 9 to 470p.

The Berisford news and a strong buy note on Tate & Lyle issued by Mr Marcus Darville of County NatWest, helped the food sector make excellent progress.

County were keen buyers of Tate & Lyle, which rose 9 to 282p on 3.1m shares, with Mr Darville upgrading his profits forecasts for 1989-90 from £220m to £225m and for 1990-91 from £245m to £250m. He says Tate's underperformance since the preliminarey figures is unjustified given the above-average earnings growth, high level of overseas earnings and strong cash flow profile. Moreover, he says, the shares should respond gfavourably to the long-awaited disposal of the automotive interests expected before the year-end and the planned sponsored ADR.

ASDA were a penny firmer at 110p on turnover of 8.4m shares despite a substantial profits downgrading by BZW, whose Mr Greville Cater lowered his forecast for 1990-91 from £235m to £195m.

Apart from BP and Shell, there was keen interest in other oil and gas stocks. British Gas remained a favourite, edging up 2½ more to 231p on 10m. But the exploration and production issues were restrained by what dealers said was an internal note preaching caution of the sector. Enterprise, up to 678p early on, retreated to close a net 10 off at 658p. LASMO eased 3 to 588p.

The substantial and high quality portfolio of oil stocks, notably Shell, triggered another big rise in British Borneo which jumped 35 more to 665p. Market whisper that a stake-building operation could be under way saw Century Oil advance 4 to 154p.

A weaker pound, and the overnight strength of the wall Street market, brought buyers in for the blue chip international stocks. Attention focused on the DM-orientated issues; ICI, a beneficiary of a strong DM, advanced sharply in the afternoon to close 12 up at 1137p.

Among the pharmaceuticals, Glaxo (821p) were higher from the opening of the market, on the back of ADR business in New York. SmithKline Beecham (614p) was another to drive forward on US buying, while Wellcome (755p), was also firmer.

Unilever plc stock added 14 to 716p, pulled ahead by a widening premium, currently 9pc-10pc on the NV shares. Salomon International, the US investment banker, has recommended the plc shares, which have outperformed the FT-All Share Index by about one fifth this year, to North American investors.

The leaders in property dutifully followed the market higher. MEPC climbed 6 to 532p and Land Securities also added 6 to 528p. The exception was British Land which lost 5 to 593p,undercut by doubts concerning the proposed restructuring of the group.

Mr Michael Prew at Panmure Gordon said; "Growing institutional resentment of the management's excessive option incentive could jeopardise the group's restructuring proposals."

British Telecom continued to make progress, adding 3 to 292½ on 8.1m. Tuesday's good results boosted Racal Electronics, up 4 to 245p on 5.3m. Hoskyns jumped 25 to 485p ahead of today's figures.

STC were a notable weak spot, the shares retreated 15 to 255p on bigger-than-usual turnover of 4.8m, amid market suggestions that one of the agency brokers had lowered their profits-forecast for the company, and also on a story that a line of 7m shares was on offer.

Granada Group recovered some of the previous day's falls which followed disappointing full year results. The shares added 8 to close at 310p.

HP Bulmer, the drinks group, was lifted by interim results just above market expectations.

Other brewers which enjoyed a good day included Bass, up 11 to 1053p, Allied Lyons 9 higher at 499p, and Grand Metropolitan, which announced the completion of the sale of William Hill to Brent Walker. The shares improved 6 to 607p.

A strong "buy" recommendation from Merrill Lynch helped make Hawker Siddely one of the bright features among engineers.

British Aerospace gained from confirmation that a cash payment of £2bn to cover a deficit resulting from a short fall in payments from Saudi Arabia under the Al-Yamamah defence contract, had been made. Sentiment surrounding the stock was also helped by new orders from Bangladesh. The company is due to hold an analysts meeting after today's market close at which it is expected to reveal details of the financing of the Al-Yamamah contract and talk about the Personal Communications Network (PCN) licence it won on Monday. The shares added 11 to 572p.

Dowty Group, recovered from the previous day's fall that followed the publication of disappointing interim results. The shares gained 6 to 231p.

Among second line engineering stocks, Glynwed International was said to have benefited from positive sentiment surrounding water privatisation stocks. Mr Alasdair Stewart at Charterhouse Tilney said: "The company has been overlooked by the market. Around 20 per cent of their total profits come from the plastics division, which makes fittings and valves for water pipe works, which will be particularly used in the water industry." The shares added 9 to 257p.

Press speculation about a likely takeover from overseas in the new year helped T&N. The shares hardened 5 to 207p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 21

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (83).
BRITISH FUNDS (1) AMERICANS (1) BANKS (8) BREWERS (3) BUILDINGS (1) CHEMICALS (1) ELECTRICALS (2) ENGINEERING (1) FOODS (2) HOTELS (1) INDUSTRIALS (8) Alfa-Laval AB "B", Astra AB, Crean (J), Glaxo, ISS-Int Serv Sys., Reuters, Schlumberger, Unilever, INSURANCE (2) NEWSPAPERS (1) PAPERS (2) TRANSPORT (1) TRUSTS (27) OILS (11) OVERSEAS TRADERS (2) MINES (8).
NEW LOWS (23).
AMERICANS (1) BREWERS (1) BUILDINGS (4) STORES (2) ELECTRICALS (4) INDUSTRIALS (8) Cresta Hldgs., Lynx Hldgs. Norton Group, Oriflame, Waterford Wedgwood, Young (H). INSURANCE (1) MOTORS (1) PAPERS (6) PROPERTY (2) TEXTILES (1) TRANSPORT (1) TRUSTS (5) PLANTATIONS (1) MINES (1).

APPOINTMENTS

P&O plans for Pacific companies

■ THE PENINSULAR AND ORIENTAL STEAM NAVIGATION CO has promoted Mr Richard Hein from deputy to group managing director of P&O Australia. He succeeds Mr Brian Baillie who continues as a non-executive vice chairman, and remains chairman of Command Pacific. Mr Baillie has been appointed to the main board, and will take on new responsibilities in the Pacific Rim area. Mr Doug Anderson has been appointed assistant group managing director, and financial director, of P&O Australia. Mr Peter Jollie continues as managing director of Command Pacific, which is owned by P&O Australia (50%); Lyonnaise des Eaux (40%); and the State Superannuation Fund (10%). Mr Richard Setchell continues with full board responsibility for P&O Australia's materials handling activities.

■ BOOZ ALLEN & HAMILTON INTERNATIONAL (UK) has elected Ms Janice Hughes as a vice president specialising in European communications.

■ BRADSTOCK GROUP has appointed, from January 1, Mr Brian R. Craig and Mr Stephen G. Scholes as associate directors of Bradstock Financial Services; and Mr Donald A.A. Nelson as a director of Hospital and Health Insurance Services.

■ Mr Nicholas Gray has joined NEVILLE A. BARKER & CO, Wilmslow. He was north west region deputy managing director with Sedgwick Group.

■ Mr John F. Turner becomes manager administration of BANCA SERFIN on January 1 succeeding Mr Peter J. Vermuelen who is retiring.

■ Nicholas, Lord Hillsborough, has been apppointed finance director of the SCHEDULING TECHNOLOGY GROUP.

■ Mr G.A. (Mick) Stoke has been appointed chairman of CAUSEWAY INVOICE DISCOUNTING CO. He is chairman of Docker Foods.

■ BROWN SHIPLEY INSURANCE GROUP MANAGEMENT has appointed as directors from January 1 Mr John Bonnett and Mr Rodney Stone of Brown Shipley Insurance Services.

■ Mr Tim Brookes, deputy chairman of IN SHOPS, takes over the chairmanship from Mr David Newman from January 1.

■ GROVE CONSULTANTS has apppointed Mr M.G. Plant as director and general manager from January 1, following the retirement of Mr T.A.R. Hanney.

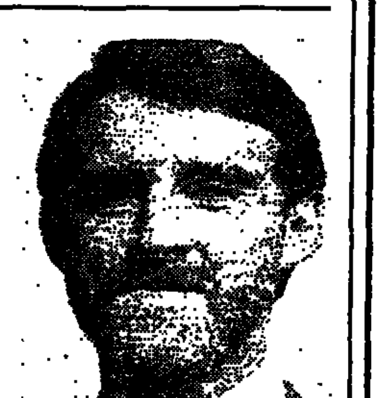
■ Mr Field Walton has been appointed chairman, and Mr Peter Knapton managing director of GUINNESS MAHON INVESTMENT MANAGEMENT. Mr Walton continues as chairman of Guinness Mahon Holdings' asset management division.

■ Following the aquisition of DIRECTORSHIP APPOINTMENTS by Clayhithe Mr John Heywood (chairman), Mr John Jones and Mr Dennis Sewell, all Clayhithe executive directors, have been appointed to the holding board and the executive board of Directorship Appointments. Mr Clive Blomfield-Smith (chief executive) and Mr Somerset Gibbs continue as directors of Directorship Appointments. Ms Janet Jones and Mr Michael Evans have been appointed to the executive board.

■ Mrs Miranda Evans has been appointed head of group corporate affairs, a new post, at BLUE CIRCLE INDUSTRIES. She was investor relations manager at Glaxo Holdings.

■ Mr Peter C. Williams has been appointed group treasurer of COURTAULDS TEXTILES, a new post created by the demerger of the Courtaulds Group. He joins from Coloroll Group where he was group treasurer.

■ EGERTON TRUST has appointed Mr Bill Anderson as managing director of Egerton Homes, Strathclyde. He was regional manager, Devon and Cornwall, Wimpey Homes, and takes over from Mr Gavin Loudon who becomes senior vice president, real estate, for Egerton Inc, Egerton's US subsidiary.



Mr Christopher J. Martin (*above*), chief executive, has been appointed a director of TIPTON & COSELEY BUILDING SOCIETY.

■ Mr Richard Turner, STC group marketing director, and chairman, STC Submarine Systems, has been appointed to the STC board as an executive director. He retains both his present posts. Sir Raymond Brown has relinquished executive responsibilities on the STC board, but remains a non-executive director until the annual meeting.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	55.67	56.19	59.78	+0.08	4.58
Gilts & Fixed Int	6	106.90	106.90xd	113.40	-0.10	8.82
High Inc Equity	6	137.00	137.00	146.60	+0.10	4.33
Worldwide Bond	6	207.60	207.60xd	219.9	+1.40	4.82
Capital Growth						
American Growth	6	202.40	204.30	217.40	....	1.01
Asian Pacific	6	120.30	122.70xd	130.60	+0.90	1.00
Assets & Earnings	6	157.70	157.70xd	168.70	+0.20	2.19
Capital Reserve Acc	0	88.22	88.22	88.39	-0.15	6.79
Capital Reserve Inc	0	78.29	78.29	78.44	-0.14	7.65
Comdty & Energy	6	119.30	119.30	127.60	+0.40	1.49
Dividend & Growth	6	47.00	47.00	50.00	....	4.50
1992 Enterprise	6	62.59	63.91	67.99	+0.13	2.44
Euro Capital Acc	6	101.70	102.40	109.00	+1.20	0.69
Euro Capital Inc	6	98.06	98.79	105.10	+1.20	0.71
General	6	180.80	180.80	193.40	-0.30	2.59
International	6	61.13	61.99	65.95	+0.36	0.76
Japan	6	127.60	130.00	138.30	+0.50	0.00
Mastertrust	6	94.61	94.61	101.20	+0.80	1.68
UK Growth Acc	6	179.00	179.00	191.50	+0.20	1.46
UK Growth Dist	6	118.20	118.20	126.50	+0.10	2.51
US Emerging Cos	6	54.26	55.77	59.33	-0.34	0.00
Income & Growth	6	308.80	308.80xd	330.30	-0.30	3.10
Ethical	6	47.07	47.07	50.35	+0.12	1.99

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
3 Harbour Exchange, London, E14 9GJ 01-495 5055						
American ♦	5¼	73.63	73.63	78.74	+0.79	1.4
Intl Growth ♦	5¼	86.01	86.01	91.98	+0.48	1.0
Income ♦	5¼	130.5	130.5	139.5	+0.98	4.7
Japan Growth ♦	5¼	254.3	254.3	273.4	+1.30	0.1
Pacific Perf ♦	5¼	168.7	168.7	180.4	+0.20	0.1
Small Co's ♦	5¼	128.7	128.7	137.6	+0.40	1.4
Technology	5¼	34.19	34.19xd	36.56	-0.32	0.1
Australia	5¼	64.01	64.01	68.45	-0.30	3.3
UK Trust ♦	5¼	176.9	176.9xd	189.1	+1.10	2.6
European Growth ♦	5¼	76.88	76.88	82.22	+0.10	0.1
Hong Kong ♦	5¼	34.98	34.98	37.41	+0.35	1.8
Intl Income	5¼	22.37	22.37	23.92	+0.04	7.3
S'pore & Mlyn Gth	5¼	38.54	38.54	41.21	-0.11	0.1
British Winners ♦	5¼	26.42	26.42	28.25	+0.15	1.8
Japan Smllr Cos ♦	5¼	31.07	31.13	33.30	+0.10	0.1
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	6	16.27	16.55	17.50	+0.12	0.00
Pacific Basin	6	31.28	31.28	33.27	+0.16	0.60
Can Balncd Grth ♦	6	48.73	48.73	51.84	-0.19	0.64
Clockt Man ♦	4	0.9745	0.9743	1.0148	[illegible]	7.59
Penny Share	6	28.47	28.47	30.28	-0.09	0.50
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	141.4	143.2	152.4	+1.0	4.91
Wellington Growth	5¼	230.3	232.4	247.3	-0.1	1.20
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	111.7	115.2	120.0	+0.7	4.02
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	2¼	63.01	63.01xd	64.06	+0.5	0.00
Short Dtd Gilt ♦ F	1¼	82.37	82.37	83.49	-0.02	6.44
U.S. Govmt Bond ♦ F	1¼	.5784	.5784xd	.5860	-0.01	0.00
Wilfore Financial Services Ltd (0985)F						
PO Box 515, 6 Broadgate, London EC2 01-588 7511						
Aust Friars W'wide	5	207.0	210.8	224.2	+4.9	2.35
Windsor Trust Mngrs Ltd (1290)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Conrthl & Equity	5	57.06	60.17	64.01	+0.26	7.36

	Bid Price	Offer Price	+ or -	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
Pension Funds (Accumulation Units)				
Squirrel	15.78	16.62		–
Bear	17.27	18.18	+0.02	–
Owl	22.98	24.19	-0.03	–
Bull	20.63	21.72	-0.12	–
Stag	20.02	21.08	-0.13	–
Gilt Edged		13.89	-0.02	–
Deposit		13.58	+0.01	–
North American	10.88	11.46	-0.24	–
European	11.71	12.33	+0.02	–
Property	11.87	12.50	-0.04	–
Index-Linked	11.87	12.50		–
Far Eastern	15.04	15.84	-0.02	–
UK Equity	15.84	16.68	-0.04	–
Fixed Interest	12.08	12.72	-0.02	–
Gilt Edged (89)	10.00	10.53	-0.01	–
1982 Series				
Managed	296.71	312.33	-0.14	–
Pre 1982 Series				
Aetna Life				
3 Way	702.00	702.01	+1.00	–
Equity Pensions	1229.03	1229.04	+3.23	–
Aetna Pensions Ltd				
3-Way Managed	641.63	641.65	-7.82	–
Exempt Approved				
Mixed Managed	220.59	225.10	-0.81	–
Gilt Edged		13.89	-0.02	–
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc(z)	147.1	154.8	+0.4	–
Equity Fd Acc(z)	1077.2	1133.8	+1.8	–
European Fd Acc(z)	282.6	297.5	+2.7	–
Intl Fxd Int Fd Acc(z)	214.7	226.0	+0.5	–
Fixed Int Acc(z)	347.6	365.9	-0.4	–
Gtd Money Fd Acc(z)	244.4	257.2		–
High Income Fd Acc(z)	121.2	127.5	+0.2	–
Intl Man Fd Acc(z)	438.0	461.0	+2.3	–
Japan Fd(z)	321.1	337.9	+0.6	–
UK Smllr Co's Fd Acc(z)	112.1	117.9	+0.1	–
Europlus Metro	124.4	130.9	+0.6	–
Global Metro	109.4	115.1	+0.1	–
Sunrise Metro	127.1	133.8	-0.1	–
UK Metro	111.9	117.8	+0.4	–

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	118.0	125.0	+0.2	–
Building Soc. Fd	178.0	188.0	—	–
Balanced	285.0	300.0	—	–
European	203.0	214.0	+0.2	–
GT Managed	188.0	198.0	—	–
Gartmore Magd	129.0	136.0	—	–
German	165.0	174.0	—	–
Gilt	172.0	182.0	-0.1	–
Global	49.0	52.0	—	–
High Inc	106.0	112.0	—	–
International Equity	203.0	214.0	+0.1	–
Japan	294.0	310.0	+0.1	–
Managed	58.0	62.0	—	–
Property	309.0	326.0	—	–
R. W. Imperial Gold	147.0	155.0	—	–
UK Equity	315.0	332.0	-0.1	–
Pension Funds				
American	151.0	159.0	—	–
Building Soc. Fd	182.0	192.0	—	–
Balanced	224.0	236.0	—	–
European	202.0	213.0	—	–
German	145.0	153.0	—	–
Gilt	153.0	162.0	—	–
International Equity	144.0	152.0	—	–
Japan	148.0	156.0	—	–
Managed	65.0	69.1	+0.1	–
Property	238.0	251.0	—	–
UK Equity	303.0	319.0	-0.3	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pension Managed Fund	95.59	101.03	—	–
Pensions Cash Fund	82.58	86.92	—	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	614.6	647.7	+1.2	–
Adventurous Magd.	135.6	142.9	-0.2	–
Secure Magd	110.3	116.3	+0.2	–
Cash Fd	242.9	256.0	—	–
Property Fund	300.0	316.2	—	–
Equity Fund	697.7	735.3	+2.9	–
Fxd. Int. Fund	293.2	309.0	—	–
International	335.2	356.7	+1.1	–
High Income	453.2	482.2	+0.8	–
Far East	460.6	490.1	+1.5	–
North American	293.9	312.7	-1.5	–
Special Sits	625.4	665.4	+3.1	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	205.9	216.8	-1.2	–
Guaranteed	13.81		-0.19	–
International Money	212.0	223.2	-1.2	–
North American	81.0	85.3	+0.1	–
Japanese	167.7	176.6	+1.0	–
European	114.8	120.9	+1.2	–
Special Situations	112.9	118.9	+0.2	–
Communications	101.8	107.2	-0.1	–
Smaller Companies	105.4	111.0	-0.1	–
International Small Co.	143.9	151.5	+0.9	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Dec 6	£165.82	171.00	—	–
Equity Dec 6	£174.92	181.22	—	–
International Dec 6	£30.54	31.22	—	–
Intl Bond Dec 6	£13.10	13.27	—	–
Fixed Int Dec 6	£74.03	74.86	—	–
Index Linked Dec 6	£63.58	64.38	—	–
Property Dec 6	£116.69	123.52	—	–
Cash Dec 6	£22.2905	22.2905	—	–
Pre-Linked Retirement Plan				
Managed Dec 12	400.7	417.4	+2.8	–
Cash Dec 12	209.5	218.3	+0.7	–
Prudential Pensions Investment Account				
Pens Magd Dec 13	160.7	172.9	-0.5	–
Pens UK Eq Dec 13	295.9	319.3	+0.4	–
Pens Intl Dec 13	208.1	224.0	-1.2	–
Pens Fixed Dec 13	171.0	180.5	+0.8	–
Pens Index Lk Dec 13	166.7	176.1	+1.8	–
Pens Cash Dec 13	136.7	144.0	+0.4	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	121.7	128.1	+0.2	–
Balanced Ptflio Fd	318.5	335.2	+0.8	–
Cautious Ptflio Fd	124.6	131.1	+0.3	–
Elite Fund	110.0	115.7	+0.2	–
European Fund	99.1	104.3	+0.4	–
Far East Fund	115.2	121.2	-0.4	–
Fixed Interest Fund	248.1	261.1	+1.0	–
International Fund	294.3	309.7	+0.5	–
Money Fund	183.4	193.0	+0.1	–
N. American Fd	128.0	134.7	+0.3	–
Property Fund	393.7	414.4	+1.0	–
UK Equity Fd	382.9	403.0	-0.7	–
A.I.M. Brewin Dlphn Fd	101.0	106.3	-0.3	–
Swim Select Inv	119.8	126.1	—	–
Chart Safety First Bd	107.6	113.3	—	–

Scottish Equitable Life Assce. Soc.—Contd.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co Ltd

Prudential Holborn Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
134⅛	124	Treas 2pc IL '90(84.6)	134	+⅛	2.09	9.98
99½	98½	Exch 11pc 1990‡‡	99¼	-⅟₃₂	11.08	14.84
101	99⅛	Exch. 12½pc 1990	99½	+⅛	12.58	14.58
96½	91¼	Treas. 3pc 1990	96	.....	3.11	12.06
97¼	95⅝	Treas 8¼pc 1987-90‡‡	97½xd	-⅛	8.47	13.88
98½	95¼	Treas. 8pc Cv 1990 ‡‡	96½xd	-⅛	8.26	13.86
98½	96½	Treas. 10pc Cv 1990	96½	-⅛	10.32	13.89
93½	87½	Exch 2½pc 1990	92⅞	+⅛	2.69	10.74
101½	98⅛	Treas 11¾pc 1991	98¼xd	-⅛	11.96	13.59
93¼	89⅞	Funding 5¾pc '87-91‡‡	92⅝	+⅛	6.21	12.00
90¾	86⅛	Treas. 3pc 1991	90⅜	+⅛	3.32	10.52
100⅛	95½	Treas 10pc Cv '91 ‡‡	95½xd	-⅛	10.43	13.03
101½	96½	Exch. 11pc 1991	97⅛	-⅛	11.33	12.76
94⅝	91⅛	Treas. 8pc 1991	92⅛xd	-⅛	8.69	12.62
106⅛	100⅝	Treas 12¾pc 1992‡‡	100½	-⅛	12.67	12.36
99½	95⅛	Treas 10pc 1992	95½	-⅛	10.46	12.30
94⅛	90½	Treas. 8pc 1992 ‡‡	91½	-⅛	8.74	12.26
100¼	96⅛	Treas 10½pc Cv 1992‡‡	96½	-⅛	10.85	12.10
85⅝	82¼	Treas. 3pc 1992	84⅝	+⅛	3.55	10.23
105½	99½	Exch. 12¼pc '92	100⅛	-⅛	12.22	12.10
109⅝	103¼	Exch 13½pc 1992	103½	-⅛	13.04	11.94
94⅛	90½	Treas 8¼pc 1993	90½	-⅛	9.07	11.71
100⅛	95¼	Treas 10pc 1993‡‡	95½	-⅛	10.44	11.56
108¼	101½	Treas 12½pc 1993‡‡	102½xd	-⅛	12.20	11.65
88⅛	84⅛	Funding 6pc 1993‡‡	85⅛	.....	7.02	10.81
113¼	106½	Treas 13¾pc 1993‡‡	106½	-⅛	12.86	11.50
94⅜	89½	Treas. 8½pc 1994	90⅛	-⅛	9.42	11.51
117½	109½	Treas 14½pc 1994‡‡	110½	-⅛	13.14	11.32
113½	106⅛	Exch 13½pc 1994	106½	-⅛	12.64	11.47
100⅝	94½	Treas. 10pc Ln. 1994‡‡	95½	-⅛	10.46	11.27
110¼	102½	Exch. 12¼pc 1994	103½	-⅛	12.05	11.43
96½	91⅛	Treas 9pc 1994‡‡	91⅝	-⅛	9.80	11.20

Five to Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108½	101½	Treas 12pc 1995	102½	-⅛	11.72	11.34
79⅝	72	Exch 3pc Gas 90-95	76	.....	3.95	8.68
101½	95⅛	Exch. 10¼pc 1995	96	-⅛	10.68	11.23
113½	106⅛	Treas 12¾pc 1995‡‡	107⅛	-⅛	11.92	11.10
119½	110½	Treas. 14pc '96	111½	-⅛	12.55	11.30
97½	90⅛	Treas. 9pc 1992-96‡‡	91⅝	-⅛	9.86	10.95
126½	117⅛	Treas 15¼pc 1996‡‡	118⅛	-⅛	12.88	11.13
117⅛	108½	Exch 13¼pc 1996‡‡	109¾	-⅛	12.07	11.08
101⅛	94½	Conversion 10pc 1996	95½	-⅛	10.49	10.96
118⅝	109⅛	Treas 13¼pc 1997‡‡	110⅝	-⅛	11.98	11.03
104⅛	96½	Exch 10½pc 1997	97½	-⅛	10.74	10.94
95½	88½	Treas 8¾pc 1997‡‡	89½	-⅛	9.74	10.72
128⅝	118⅛	Exch 15pc 1997	119⅝	-⅛	12.53	11.16
100½	93¼	Exch. 9¾pc 1998	94⅛xd	+⅛	10.34	10.83
84⅝	78⅝	Treas 6¾pc 1995-98‡‡	80⅛	-⅛	8.43	10.36
134⅛	123½	Treas. 15½pc '98‡‡	125⅛	-⅛	12.39	10.97
113½	105	Exch. 12pc 1998	106⅛	-⅛	11.31	10.90
100⅝	92½	Treas 9½pc 1999‡‡	94xd	-⅛	10.11	10.54
115⅞	106½	Exch. 12¼pc 1999	107⅞	-⅛	11.36	10.57
105⅝	97⅛	Treas. 10½pc 1999	98⅝	-⅛	10.64	10.73
104⅛	96	Conversion 10¼pc 1999	97⅛	-⅛	10.54	10.70
94⅜	86½	Treas. 8½pc Ln 2000‡‡	88⅛	-⅛	9.66	10.44
97⅛	89½	Conversion 9pc 2000‡‡	91⅛	-⅛	9.88	10.44
122⅞	113	Treas. 13pc 2000	113½xd	-⅛	11.46	10.84
103⅝	95⅛	Treas 10pc 2001	96⅝	-⅛	10.36	10.52
124½	114⅝	Treas. 14pc '98-01	115½	-⅛	12.10	11.08
102⅛	93¾	Conversion 9¾pc 2001	95⅛	-⅛	10.25	10.48
113½	104½	Exch. 12pc '99-02	106	-⅛	11.34	10.95
104½	95½	Conversion 10pc 2002	97⅛	-⅛	10.29	10.41
102½	94	Treas 9¾pc 2002	95⅛	-⅛	10.20	10.37
97½	89⅛	Exch. 9pc 2002	90⅝	-⅛	9.88	10.44
126½	116⅛	Treas. 13¾pc 2000-03	117⅝	-⅛	10.69	10.90
105⅝	96⅛	Treas 10pc 2003	98⅛	-⅛	10.17	10.22
113½	103½	Treas. 11½pc 2001-04	105½	-⅛	10.92	10.67
106⅛	96½	Treas. 10pc 2004	98½	-⅛	10.13	10.17
59⅝	54⅞	Funding 3½pc '99-04	55⅞xd	-⅛	6.28	9.01
102½	93½	Conversion 9½pc 2004	95⅝	-⅛	9.97	10.11

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103⅛	93⅝	Conversion 9½pc 2005	95½	-⅛	9.95	10.08
111¼	101½	Exch. 10½pc 2005	103⅛	-⅛	10.17	10.08
125⅛	114¼	Treas. 12½pc 2003-05	116⅝	-⅛	10.74	10.26
90⅝	82½	Treas. 8pc 2002-06‡‡	83⅝	-⅛	9.55	10.00
118½	108⅛	Treas. 11¾pc 2003-07	110⅛	-⅛	10.65	10.28
96⅛	86½	Treas 8½pc 2007 ‡‡	88½xd	-⅛	9.56	9.84
134⅝	122¼	Treas. 13½pc '04-08	124⅛	-⅛	10.86	10.22
101⅛	91⅛	Treas. 9pc 2008 ‡‡	93⅛	-⅛	9.65	9.78
93½	91⅛	Treas. 9pc 2008 B	93⅛	-⅛	9.65	9.78
92⅛	83	Treas 8pc 2009	84½	-⅛	9.43	9.74
102⅛	91⅞	Conv 9pc Ln 2011 ‡‡	93⅛xd	-⅛	9.61	9.71
68⅝	61½	Treas. 5½pc 2008-12‡‡	62⅝	-⅛	8.77	9.54
89⅞	80⅝	Treas. 7¾pc 2012-15‡‡	81⅞	-⅛	9.47	9.68
132⅛	118⅝	Exch. 12pc '13-'17	120½	-⅛	8.77	9.54

Undated

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
45⅝	40⅛	Consols 4pc	40¾	-⅛	9.82	-
40⅝	35⅝	War Loan 3½pc‡‡	36⅛	-⅛	9.67	-
70⅝	60⅝	Conv. 3½pc '61 Aft	61⅝	-⅛	5.68	-
41⅞	31⅞	Treas. 3pc '66 Aft	32⅛	-⅛	9.34	-
30⅝	25⅛	Consols 2½pc	25⅛xd	-⅛	9.78	-
29½	24½	Treas. 2½pc	25⅛	-⅛	9.93	-

Index-Linked

1989 High	1989 Low	Stock (b)	Price £	+ or -	(1)	(2)
112¾	103⅛	Tr. 2pc '92‡‡(97.8)	111½	-⅛	2.99	4.05
105⅛	94½	Do. 2 '94 (102.9)	105	-⅛	2.85	3.41
155⅛	139¼	Do. 2pc '96(67.9)	155	.....	2.97	3.35
130½	118⅛	Do 2½pc '01(78.3)	130⅛	-⅛	3.42	3.66
127⅝	115⅝	Do. 2½pc '03(78.8)	126⅞	-⅛	3.50	3.72
131⅛	117½	Do. 2pc '06(69.5)	130⅛xd	+⅛	3.53	3.70
123⅞	110¾	Do. 2½pc '09(78.8)	121½	-⅛	3.53	3.69
128	114½	Do. 2½pc '11(74.6)	126⅝	-⅛	3.52	3.67
106¾	95¼	Do. 2½pc '13(89.2)	105⅞	-⅛	3.49	3.63
115¼	101⅛	Do. 2½pc '16(81.6)	113⅞	-⅛	3.46	3.60
112½	100⅞	Do. 2½pc '20(83.0)	111⅝	-⅛	3.43	3.55
95⅛	84½	Do. 2½pc '24‡‡(97.7)	94⅛xd	-⅛	3.37	3.49

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108½	98⅛	African Dv Bk 11¼Ln 2010	99½	-⅛	11.18	11.19
104⅞	94⅛	Asian Dev Bk 10¼pcLn2009	95⅝	-⅛	10.28	10.79
130⅛	117½	Australia 13½pc 2010	119⅞	-⅛	11.34	11.15
113½	101⅛	Do. 11¼pcLn2015	102½	-⅛	11.07	11.05
110½	98¼	Euro Inv Bk 11pc Ln 2002	100⅛	-⅛	10.99	10.97
119⅞	107⅛	Int-Am Dev Bk 12½pc 2003	108½	-⅛	11.47	11.18
99¼	89⅞	Do. 9¾pcLn 2015	90½	-⅛	10.75	10.84
97½	89	Mlysia 10¾pcLn 2009	89	.....	12.08	12.24
120	110	Utd. Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111½	95½	Birmingham 11½pc 2012	99½	.....	11.56	11.60
91	85½	GLC 6¾pc 1990-92	87½xd	-1	7.71	13.35
124½	115½	Leeds 13½pc 2006	116½	+1	11.59	11.36
33	29	Liverpool 3½pc Irred	29	.....	12.07	-
95½	92	LCC 6¾pc '88-90	94½xd	.....	7.14	12.80
30	26	Do. 3pc '20 Aft	28	.....	10.71	-
107½	99½	Manchester 11½pc 2007	99½	.....	11.56	11.60

COMMONWEALTH & AFRICAN LOANS

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
89½	86½	NZ 7¼pc 1988-92	88	.....	8.25	12.20
206	206	S Rhod 2½pc Non-Asstd.	206	.....	-	-
84½	84½	Do. 4½pc 87-92 Asstd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
100⅛	99⅛	N'wide Anglia 12⅛pc 2.1.90	99⅞	.....	12.83	15.22
100⅛	98¾	Do. 12⅞pc 29.1.90	99½	.....	12.62	15.13
100	98¼	Do. 12⅞pc 26.2.90	99½	.....	12.77	15.12
100	98½	Do 12⅞pc 19.3.90	99½	.....	12.96	15.18
100⅛	98½	Do. 13⅜pc 23.4.90	99⅛	.....	13.43	15.22
100	98½	Do. 13pc 14.5.90	99⅛	.....	13.11	15.17
100	98⅝	Do. 13⅝pc 4/6/90	99⅝	.....	13.77	15.15
100½	99⅛	Do. 14⅛pc 2.7.90	99⅝xd	.....	14.37	15.16
100¼	98½	Do. 13⅝pc 23.7.90	99⅛	.....	13.75	15.09
100	98½	Do. 13⅛pc 13.8.90	99	.....	13.57	14.89
100	98½	Do. 13½pc Bds 3.9.90	99	.....	13.64	14.82
107½	98½	Do. 3⅝pcIL Ln 2021	107¼	.....	4.34	4.47
107½	99⅛	Do. 4.25pcIL '24	106¼	.....	4.34	4.31

Public Board and Ind.

1989 High	1989 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989 High	1989 Low	Stock	Price £	+ or -	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	..	3.50	f7.00
50	40	Do. 6pc 28 Stb Ass.	50	.....	3	f6.00
50	40	Do 4pc Mixed Ass.	50		2	f4.00
80	65	Hung. '24 Ass.	80		2.75	f3.57
139⅛	125½	Hydro Quebec 15pc 2011.	127	-⅛	15.00	11.56
128½	113½	Iceland 14½pc Ln 2016.	115½	-⅛	14.50	12.47
97¼	90	Ireland 9¾pc '91-96	91	....	10.71	11.60

AMERICANS

1989 High	1989 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
44⅛	26¼	Abbott Laboratories‡	40⅛xd	-⅛	$1.40	-	2.2
579p	361p	♦Allegheny & W 1c	443p	-1	30c	-	4.3
18⅝	12⅛	Amax $1	14¼xd	+⅛	80c	-	3.6
11⅝	6	Ambase Corp $1	8⅛	-⅛	20c	-	1.5
15	695p	Amdahl 5c.	846pxd	+12	h10c	-	0.7
37⅞	25½	Amer. Cyanamid $5	33⅛	-¼	$1.35	-	2.6
25⅛	14⅞	Amer. Express 60c	20⅞xd	-⅛	84c	-	2.5
28⅝	15⅝	American T. & T. $1	28⅛	+⅛	$1.20	-	2.7
41⅝	26⅛	Ameritech $1	39⅝	+⅛	h$2.93	-	4.7
659p	490p	♦Asiamerica Equity‡.	561p	....	-	-	-
22⅛	9⅝	BankAmerica $1 ‡	17¼xd	+⅛	60c	-	2.2
37⅝	19⅝	Bankers N Y. $1	29⅛xd	+1⅛	$2.12	-	4.6
68⅝	38½	Bell Atlantic $1	68	+1⅛	$4.40	-	4.1
35⅝	19⅝	BellSouth Corp.	34⅛	+⅛	$2.53	-	4.7
15⅞	9¾	♦Bethlehem Steel $8.	10⅛xd	-⅛	40c	-	2.4
12	868p	♦Bio-Rad Labs. A	949p	-26	-	-	-
20¼	15¼	Bowater Inc	17⅝	+⅛	$1.12	-	4.0
12⅞	8⅛	Brunswick 75c	8⅝xd	+⅛	44c	-	3.2
46⅝	28¼	CPC Intnl. 25c	44⅛	-⅛	$1.80	-	2.6
863p	333p	California Engy	789p	-2	-	-	-
36⅛	17¼	Campbell Soup 15c.	31⅛xd	-⅛	92c	-	1.9
28⅝	15⅛	Chase Manhattan $12½	21⅛xd	-½	$2.36	-	7.1
26¼	17	Chem. Banking Corpn.	20	-⅛	$2.72	-	8.6
17½	11½	Chrysler $6¼	12⅝xd	+⅛	$1.20	-	6.1
22⅛	14⅛	Citicorp $1	17⅝xd	-⅛	$1.62	-	5.7
41⅝	25⅝	Colgate-Palmolive $1	39⅛xd	+⅛	$1.48	-	2.4
17¼	10¼	Cont'l Bank Corp $4.	13⅛	+⅛	80c	-	3.8
410p	218p	♦Corporate Data Scnce	318p	.....	-	-	-
27½	21	Dana Corp $1	21⅝xd	.....	$1.60	-	4.7
12	760p	Data General	807p	+35	-	-	-
38⅝	26⅝	Dun & Bradstreet $1.	26⅞	+½	$2.00	-	4.7
43¼	24½	Eaton Corpn. 50c	35⅝	+⅛	h$2.00	-	3.6
11⅝	8¼	Echlin Inc	8½	-⅛	70c	-	5.1
21⅞	16⅞	FPL Group 1c	21⅛xd	.....	$2.29	-	6.6
23⅛	13¼	Fluor Corp 62½pc.	20½	-⅛	16c	-	0.5
35⅝	27⅛	Ford Motor $1	27⅝xd	-⅛	$3.00	-	6.9
40⅝	24¾	Gen. Elect. 63c.	39⅛	-⅛	$1.88	-	3.0
579p	365p	♦General Host Corp $1	412p	+7	30c	-	4.6
39¼	18¼	Gillette $1	30¼	+⅛	96c	-	2.0
987p	398p	Gt American Bank Bk $1	404p	+6	20c	-	3.1
23⅞	16⅛	Greyhound $1½	19⅛	-⅛	$1.32	-	4.4

Continued on next page

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15⅛	847p	Hasbro Inc 50c	12⅝	+⅛	14c	–	0.8
57½	32⅛	Honeywell $1½	51⅝	.....	$2.75	–	3.4
22⅝	15⅛	Houston Inds.$	21⅛	.....	$2.96	–	8.6
76	60⅛	IBM Corpn $1¼	66⅛	.....	$4.84	–	5.1
60p	45p	Image Storage/R Sys Ic.	52p	+2	–	–	–
32⅛	18¾	Ingersoll-Rand $2	23	–⅛	$1.20	–	2.6
33⅛	22⅛	Lockheed Crpn $1	25	+⅛	$1.80	–	4.6
22⅝	11⅛	Lone Star Inds $1	11⅛	–¼	$1.90	–	10.7
27⅞	17½	Louisiana Land 15c	26	+⅛	$1.00	–	2.4
20	11½	Loews's 50c	19⅛	+⅛	43c	–	1.6
28	15¾	Manuf. Hanover $1	21⅛	+⅜	$3.20	–	9.8
22⅝	13	Merrill Lynch $1	16	+	$1.00	–	3.8
24	19⅛	Molex Inc	22⅛	–⅛	3.2c	–	–
30⅜	18⅛	Morgan (JP) $2½	25⅜	–⅛	$1.66	–	4.1
28	24⅛	Morris (Philip)	26	+⅛	$1.13	–	2.7
54⅛	36⅛	NYNEX $1	52	–⅛	$4.36	–	5.2
44p	16p	N wide Legal Serv	19p	–1	–	–	–
24	18¼	PHH Corp	22⅝	–⅛	$1.16	–	3.2
259p	167p	♥Pacific Agr	179p	.....	–	–	–
28½	19	Pacificorp $3¼	28	+⅛	$2.76	–	5.9
30⅛	16⅞	Pacific Telesis 10c	30⅛	–⅛	$1.88	–	3.9
22	15¼	Pall Corp 25c	20⅛	+¼	48c	–	1.5
55⅛	39	Pennzoil 23 1/3c	54⅝	+⅛	$3.00	–	3.5
42⅛	26⅛	Quaker Oats $5	36⅛	–⅛	$1.40	–	2.4
32⅛	23½	Rep NY Corpn $5	30	+⅛	$1.26	–	2.7
16	11	Rockwell Intl. $1	13	–⅛	78c	–	3.8
29½	22	Sears, Roebuck 75c	23	–⅛	$2.00	–	5.4
37⅛	21	Southwestern Bell $1	36	+½	$2.60	–	4.6
27	17	Sun Co Inc. $1	26	+⅛	$1.80	–	4.3
31⅛	22	TRW Inc. 62½c	30	.....	$1.72	–	3.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ø Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ✱ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	80	.....
Craig & Rose £1.. γ	830	.....
Finlay Pkg. 5p.... γ	63	-2
Holt (Jos) 25p..... γ	1353	+13

IRISH

Cap. 8½% Ln. 1991...	£95¾	.....
9pc Cap Ln. 1996..	£95¼	.....
Fin. 13% 97/02...	£115	.....
Arnotts...	488	.....
Carrol (P.J.)...... γ	155	+5
Hall (R. & H.)...	195	.....
Helton Hldgs....... γ	94	+2
IRG	230	.....
United Drug...	140	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp.	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Bank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention halts D-Mark

THE D-MARK was prevented from rising yesterday as European central banks stepped in to sell the West German currency in an attempt to limit growing tensions within the European Monetary System. Sterling and the US dollar recovered to an extent from early losses as dealers prepared for the release of key UK and US economic data tomorrow.

The D-Mark began firmly in Tokyo with the dollar falling to DM1.6995, its lowest since May 1988, and more than three pfennigs below the previous London close. However, the D-Mark ran out of steam at around that level and soon began to weaken as traders viewed it as "overbought."

The D-Mark then came under attack as the central banks of France, the UK, Spain, and Italy stepped into the currency markets at different times throughout the European morning and early afternoon and sold the West German currency. The pressure was kept up on the D-Mark after the Belgian central bank was forced to raise short-term interest rates, and Mr Pierre Beregovoy, the French Finance Minister, said there would be no devaluation of the French franc within the EMS.

Although the central banks made no reference to co-ordinated intervention, many analysts said that was precisely what had taken place. Mr Neil MacKinnon, chief economist at Yamaichi International, said the D-Mark's strength had created tensions within the EMS, and there remained a strong possibility of a realignment in the first quarter of 1990.

A boost given to the dollar after the latest US retail sales figures also kept the D-Mark on the defensive. But analysts said Friday's US data, which are expected to show the trade deficit widening and inflationary pressures easing, could tempt the Federal Reserve to ease monetary policy. This would put the dollar under renewed pressure, which in turn may give the D-Mark another boost, they said.

The dollar closed at DM1.7400 from DM1.7350 on Tuesday, at Y144.10 from Y143.85, at SFr1.5750 from SFr1.5770, and at FFr5.9475 from FFr5.9300. The dollar's index, as calculated by the Bank of England, fell 0.3 to 68.0.

Sterling fell to DM2.7350 in Tokyo, which took it close to the lowest level it has traded at since January 1987, when it hit DM2.7275, according to Mr Christian Dunis, economist at Chemical Bank. However, it bounced back after the Bank of England bought sterling for dollars and D-Marks. Mr Nick Parsons of Union Discount said it is the first time the Bank had sold D-Marks since the pound was at DM3.05, which he interpreted as a sign that yesterday's intervention had been co-ordinated. Sterling closed at DM2.7750 from DM2.7800, at $1.5950 from $1.6035, at SFr2.5125 from SFr2.5300, at Y229.75 from Y230.75, and at FFr9.4850 from FFr9.5100. Sterling's index dropped 0.4 to 86.7.

£ IN NEW YORK

Dec.13	Latest	Previous Close
£ Spot	1.5965-1.5975	1.6085-1.6090
1 month	0.84-0.83pm	0.90-0.89pm
3 months	2.39-2.36pm	2.46-2.43pm
12 months	8.38-8.28pm	8.75-8.66pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.13	Previous
8.30 am	86.6	87.2
9.00 am	86.6	87.2
10.00 am	86.8	87.4
11.00 am	86.7	87.4
Noon	86.7	87.4
1.00 pm	86.7	87.3
2.00 pm	86.6	87.1
3.00 pm	86.7	87.2
4.00 pm	86.7	87.1

CURRENCY RATES

Dec.13	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.23530	1.36442
U.S Dollar	7	1.29807	1.17830
Canadian $	12.46	1.50940	1.36777
Austrian Sch.	6½	16.0208	14.5069
Belgian Franc	10¼	47.7820	42.7076
Danish Krone	10½	8.83661	7.88520
Deutsche Mark	6.00	2.27318	2.02986
Neth.Guilder	7.00	2.56369	2.29163
French Franc	10¼	7.76376	6.94079
Italian Lira	13½	1681.49	1511.76
Japanese Yen	3¼	187.636	169.640
Norway Krone	8	7.84510	7.64278
Spanish Peseta	-	147.064	131.357
Swedish Krona	9½	8.20575	7.35496
Swiss Franc	6.00	2.06004	1.84404
Greek Drach.	20½	209.590	187.350
Irish Punt	-	0.86594	0.770082

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Dec.12

CURRENCY MOVEMENTS

Dec.13	Bank of England Index	Morgan** Guaranty Changes %
Sterling	86.7	-24.1
U.S Dollar	68.0	-10.3
Canadian Dollar	105.4	+2.0
Austrian Schilling	109.8	+12.2
Belgian Franc	109.2	-3.7
Danish Krone	108.3	+3.2
Deutsche Mark	118.4	+25.2
Swiss Franc	106.8	+14.2
Guilder	114.3	+16.5
French Franc	102.7	-13.3
Lira	99.8	-18.6
Yen	132.1	+62.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Dec.12.

OTHER CURRENCIES

Dec.13	£	$
Argentina	1596.75-1613.85	995.00-1005.00
Australia	2.0425-2.0445	1.2715-1.2725
Brazil	12.9525-13.0265	8.0710-8.1120
Finland	6.5605-6.5805	4.0940-4.0960
Greece	253.75-260.50	157.65-160.15
Hong Kong	12.5215-12.5345	7.8035-7.8055
Iran	112.10*	71.20*
Korea(Sth)	1072.80-1090.15	671.00-676.20
Kuwait	0.47580-0.47640	0.29600-0.29630
Luxembourg	58.00-58.10	36.35-36.45
Malaysia	4.3275-4.3390	2.6995-2.7015
Mexico	4287.50-4291.40	2670.50-2671.30
N. Zealand	2.6830-2.6890	1.6705-1.6735
Saudi Ar.	6.0280-6.0310	3.7500-3.7510
Singapore	3.0590-3.0660	1.9060-1.9080
S. Af (Cm)	4.1045-4.1155	2.5590-2.5620
S. Af (Fn)	6.2455-6.3700	3.8910-3.9685
Taiwan	42.05-42.15	26.20-26.25
U.A.E.	5.9025-5.9055	3.6720-3.6750

*Selling rate

EURO-CURRENCY INTEREST RATES

Dec 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15 1/8-15 1/16	15 1/16-15	15 3/16-15 1/16	15 1/8-15	15-14 7/8	14 13/16-14 11/16
US Dollar	8 1/2-8 3/8	8 3/4-8 5/8	8 11/16-8 9/16	8 5/8-8 1/2	8 1/2-8 3/8	8 3/8-8 1/4
Can. Dollar	12 1/4-12	12 1/4-12	12 1/4-11 7/8	12 1/8-11 7/8	11 15/16-11 13/16	11 13/16-11 11/16
D. Guilder	8 1/2-8 1/4	8 7/16-8 5/16	8 5/8-8 1/2	8 3/4-8 5/8	8 7/8-8 3/4	8 7/8-8 3/4
Sw. Franc	8-7 3/4	8-7 3/4	8 1/2-8 1/4	8 5/8-8 3/8	8 7/8-8 5/8	8 1/2-8 1/4
Deutschmark	7 3/4-7 5/8	7 3/4-7 5/8	8 1/16-7 15/16	8 1/8-8	8 7/16-8 5/16	8 9/16-8 7/16
Fr. Franc	10 5/16-10 3/16	10 5/16-10 3/16	10 1/2-10 3/8	10 11/16-10 9/16	10 3/4-10 5/8	10 13/16-10 11/16
Italian Lira	12-10	13-12	13 1/4-12 3/4	13 1/4-12 3/4	13-12 3/4	13 1/4-12 3/4
B. Fr. (Fin)	9 3/4-9 5/8	10-9 7/8	10 1/8-10	10 1/4-10 1/8	10 3/8-10 1/4	10 5/16-10 3/16
B. Fr. (Con)	10-9 7/8	10 1/8-9 7/8	10 1/8-9 7/8	10 1/8-9 7/8	10 1/8-9 7/8	10 1/8-9 7/8
Yen	6 3/4-6 1/2	6 5/16-6 3/16	6 1/2-6 3/8	6 5/8-6 1/2	6 5/8-6 1/2	6 1/2-6 3/8
D.Krone	12 3/16-12 1/16	12 3/16-12 1/16	12 3/16-12 1/16	12 1/4-12	11 3/4-11 5/8	11 13/16-11 11/16
Asian $Sing	8 11/16-8 9/16	8 3/4-8 5/8	8 11/16-8 9/16	8 3/4-8 5/8	8 1/2-8 3/8	8 1/2-8 3/8

Long term Eurodollars: two years 8 5/16-8 3/16 per cent; three years 8 1/2-8 3/8 per cent; four years 8 5/8-8 1/2 per cent; five years 8 3/4-8 1/2 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Dec.13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5945-1.6145	1.5945-1.5955	0.89-0.86cpm	6.58	2.48-2.45pm	6.18
Canada	1.8490-1.8685	1.8515-1.8525	0.49-0.39cpm	2.85	1.31-1.15pm	2.66
Netherlands	3.12-3.13¼	3.12¼-3.13¼	1¾-1⅝cpm	6.70	4¾-4⅝pm	6.15
Belgium	57.95-58.45	58.00-58.10	29-25cpm	5.58	75-66pm	4.86
Denmark	10.69½-10.90	10.69½-10.70½	2⅝-2⅛orepm	2.80	7⅜-6⅞pm	2.62
Ireland	1.0450-1.0560	1.0490-1.0500	0.30-0.25ppm	3.14	0.90-0.80pm	3.24
W. Germany	2.76½-2.77¾	2.77¼-2.77¾	1¾-1⅝pfpm	7.30	4⅝-4⅜pm	6.49
Portugal	241.70-243.80	241.70-242.70	11-16cdis	-0.67	98-180dis	-2.30
Spain	178.65-179.45	178.85-179.15	8-16cdis	-0.80	19-29dis	-0.54
Italy	2055¼-2064½	2063½-2064½	4-2lirepm	0.29	9-7pm	1.55

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Firmer rates

UK money market rates firmed yesterday as sterling slipped in early trading against the D-Mark. But despite a partial recovery by sterling later on, rates remained higher. The key three-months interbank rate was quoted at 15⅛-15 per cent, from 15 1/16-15 on Tuesday.

Initially, the Bank of England forecast a shortage of around £950m, which included an allowance for water privatisation receipts. An early round of bill offers was invited, though the Bank did not operate.

During the morning the Bank purchased £594m bills, of which £294m were band 1 bank bills at 14⅞ per cent, and £300m for resale to the market in equal amounts on December 27, 28 and 29 at 14 31/32 per cent. In the afternoon, the Bank bought £245m of band 1 bank bills at 14⅞ per cent. Late assistance of around £75m was provided.

UK clearing bank base lending rate 15 per cent from October 5

Factors contributing to the forecast shortage included maturing assistance and a take-up of Treasury bills of £1.055bn, a rise in the note circulation of £175m, and bankers balances £35m below target. This was partly offset by Exchequer transactions of £315m.

In Frankfurt call money rates eased to 7.50-7.60 from 7.65-7.70 per cent on Tuesday, after the Bundesbank added an unexpected DM1.9bn of liquidity at its securities repurchase tender. The Bundesbank accepted bids totalling DM22.5bn at the tender, compared with DM20.6bn of facilities which expired yesterday.

Frankfurt dealers said that after the Bundesbank's injection of funds, the short-end of the money market would remain liquid over the Christmas period and would keep rates close to current levels.

In New York the Federal in its open market operations added reserves with overnight system repurchase agreements. Federal funds were trading at 8 9/16 per cent at the time of the operations, compared with 8⅝ per cent on Wednesday. Analysts said they expected money rates to remain steady before the US trade and producer price data tomorrow.

In Zurich money rates were unchanged despite the Swiss National Bank raising from today its flexible Lombard rate to two percentage points above average call money rates for the previous two days, from one point above previously. Call money rates were unchanged from Wednesday at 7⅝-⅞ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.13) 3 months US dollars		6 months US Dollars	
bid 8 7/16	offer 8 9/16	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nacional de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed.funds	8 9/16
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.64	Three year	7.76
Two month	7.81	Four year	7.81
Three month	7.96	Five year	7.75
Six month	7.86	Seven year	7.83
One year	7.78	10-year	7.89
Two year	7.80	30-year	7.88

Dec.13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.50-7.60	7.85-8.00	7.90-8.05	7.90-8.05	7.95-8.15	8.00
Paris	10 5/16-10 3/16	10⅜-10½	10⅝-10⅞	10⅝-10¾	10⅝-10¾	9.50
Zurich	7¾-7⅞	8-8¼	-	8-8¼	-	-
Amsterdam	8.31-8.44	8.45-8.50	-	8.45-8.50	-	-
Tokyo	6 5/16-6 7/16	6⅝-6 11/16	-	6 11/16-6 13/16	-	-
Milan	12¾-12⅞	12¾-13¼	-	12⅞-13¼	-	-
Brussels	9.50	10 1/16-10 3/16	-	10⅛-10¼	-	-
Dublin	10⅜-10½	11½-11⅝	11¾-11⅞	11 15/16-12 1/16	12¼-12⅜	-

LONDON MONEY RATES

Dec 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15 3/16	15 3/16	15⅛	15	14 13/16
Interbank Bid	14¾	14¾	15	15⅛	14⅞	14 11/16
Sterling CDs.	-	-	15 3/16	15 1/16	14¾	14½
Local Authority Deps.	15⅛	15 1/16	15	15 1/16	14¾	14½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15½	15	14⅞	14⅝	-	-
Company Deposits	-	-	15⅛	15 3/16	15	14⅝
Finance House Deposits	-	-	15¼	15 3/16	15	14⅝
Treasury Bills (Buy)	-	-	14 13/16	14 13/16	-	-
Bank Bills (Buy)	-	-	14 13/16	14 13/16	13 15/16	-
Fine Trade Bills (Buy)	-	-	15 5/32	15 1/32	14⅞	-
Dollar CDs.	-	-	8.75	8.45	8.25	8.17
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9	8 13/16
SDR Linked Dep. Bid	-	-	8⅞	8 13/16	8¾	8 11/16
ECU Linked Dep. Offer	-	-	11	11	11	10 13/16
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10 11/16

Treasury Bills (sell); one-month 14 11/16 per cent; three months 14 11/16 per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14 11/16 per cent; Treasury Bills; Average tender rate of discount 14.4976 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November.30 ,1989 . Agreed rates for period December,26 1989 to January,23 , 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Nov.1,1989 to November,30 , 1989, Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from December 1 , 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2389.0	2395.0	2374.0	2365.5
Mar	2439.0	2445.0	2426.0	2415.0
Jun	2450.0			2455.0

Estimated volume 7146 (4775)
Previous day's open int. 31897 (32082)

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 52,940
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Adam & Company	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Trust Bank	15	Coutts & Co	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Cyprus Popular Bk	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Associates Cap Corp	14	Duncan Lawrie	15	Roxburghe G'rantee	15½
Authority Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Cyprus	15	Girobank	15	United Mizrahi Bank	15
Bank of Ireland	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of India	15	HFC Bank plc	15	Western Trust	15
Bank of Scotland	15	● Hambros Bank	15	Westpac Bank Corp.	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Benchmark Bank PLC	15	● Hill Samuel	§15		
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		
		NatWestminster	15		

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JOTTER PAD

CROSSWORD

No.7,115 Set by TANTALUS

ACROSS

1 Birds heading off seeing feline in Oman (6)
4 It's still foul (8)
10 So much continental drink causes fit of temper (7)
11 Game the Spanish finish and make mould (7)
12 The end of broadcasting free network (4)
13 Claim before there is stress (10)
15 Deal with youth leader and reach agreement (6)
16 Moved from Salerno to French city (7)
20 New mates upset about vessel (7)
21 Cheerful Liberal statesman (6)
24 Spokesman seen on the telephone (10)
26 Long for devout direction (4)
28 Characters in minaret display clothing (7)
29 Sodium odour beginning to develop (7)
30 On the occasion of deliveries is there extra pay? (8)
31 Dog a spy (6)

DOWN

1 Provide one gun in time perhaps to appease (8)
2 Nurse turned up with German specialist showing emotion (9)
3 Part of tarmac resurfaced in Brazil (4)
5 Roman orator stops short by sailors and is silent (8)
6 Fresh earth spread for tropical tree (10)
7 Donkey discovers first class American palm (5)
8 A beginner under canvas receives a gift (6)
9 Quick trim (5)
14 Means of securing affection (10)
17 It's careless to shift gilt engine without one (9)
18 Unexpected rime on stalk reveals plant tissue (8)
19 Wrong rota test for witness (8)
22 Young creature ruined my robe (6)
23 Polecats chewed just enough (5)
25 Join single Egyptian (5)
27 "This — is full of noises" (Shakespeare) (4)

Solution to Puzzle No.7,114

WISHBONE GAMBOL / PRESTIGE SLEAZY / TEMPLATE BOOKER / WASHINGTON / RIVERMOUTH / FRENCH SHOETREE / ROOTLE DUCKBILL / AFEARD PENTAGON

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices December 12

f—No voting rights or restricted voting rights.

MONTREAL
Closing prices December 12

1441	BombrdrA	$15⅝	15⅝	15⅝	+ ⅛
50847	BombrdrB	$15½	15	15⅝	+ ¼
107525	Cambior	$16¼	16⅞	16⅜	+ ⅛
25600	Cascades	$95¼	95¼	95¼	
4909	DomTxtA	$16¼	16	16¼	− ⅛
400	Donohue	$18	10	18	
14583	Memotec	$10⅝	10⅝	10⅝	
286687	NatBk Cda	$13⅛	13⅛	13⅛	− ⅛
9115	Noverco	$11⅞	11¾	11⅞	− ⅛
71865	Power Corp	$16	15¾	15⅞	
29381	Provigo	$10⅛	09⅞	10	+ ⅛
2027	QuebecT A	$14⅛	14⅛	14⅛	
3785	QuebecT B	$12⅞	12¾	12¾	− ⅛
8105	Videotron	$16⅞	16⅝	16¾	+ ⅛

Total Sales 7,984,588 shares.

INDICES

NEW YORK

DOW JONES	Dec 12	Dec 11	Dec 8	Dec 7	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Industrials ◊	2752.13	2728.24	2731.44	2720.78	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.40	93.47	93.41	93.44	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1212.13	1201.10	1209.46	1211.06	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	231.64	228.81	228.75	227.55	231.64 (12/12)	181.84 (24/2)	231.64 (12/12/89)	10.50 (8/4/32)

◊Day's High 2764.51 (2742.75) Low 2716.51 (2705.63)

STANDARD AND POOR'S	Dec 12	Dec 11	Dec 8	Dec 7	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	351.73	348.56	348.69	347.59	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	402.71	398.91	399.22	397.90	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	31.56	31.57	31.64	31.66	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.44	192.83	192.92	192.38	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	377.41	375.04	375.45	375.09	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	450.43	452.42	456.24	457.20	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec 8	Dec 1	Nov 24	year ago (approx.)
Dow Industrial Div. Yield	3.90	3.87	3.97	3.71

	Dec 6	Nov 29	Nov 22	year ago (approx.)
S & P Industrial div. yield	2.92	2.96	2.98	3.15
S & P Indl. P/E ratio	14.82	14.59	14.51	12.86

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Phillips Pet.	2,860,400	25⅞	+ 1⅛
Exxon	2,803,200	51¼	+ 1½
IBM	2,102,100	97	+ ⅞
Am T&T	2,068,000	45⅛	+ ¾
Fannie Mae	2,005,900	35½	+ ⅛
Texaco	1,800,400	57⅛	+ 1½
Mobil	1,771,700	63	+ 1⅜
Royal Dutch	1,770,700	76⅛	+ 3⅛
Philip Morris	1,720,800	42⅛	+ ⅜
Chase Manhattan	1,604,600	34⅛	− ⅝

TRADING ACTIVITY

† Volume Millions	Dec 12	Dec 11	Dec 8
New York	178.002	147.130	144.910
Amex	14.471	11.663	12.763
NASDAQ	(u)	133.385	128.145
Issues Traded	2,009	1,977	1,962
Rises	889	662	804
Falls	639	833	645
Unchanged	481	482	513
New Highs	99	57	60
New Lows	48	55	26

CANADA

TORONTO	Dec 12	Dec 11	Dec 8	Dec 7	1989 HIGH	1989 LOW
Metals & Minerals	3307.53	3293.63	3314.66	3325.62	3919.2 (1/9)	3207.5 (3/1)
Composite	4002.99	3989.38	3982.73	3969.45	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2038.94	2022.73	2021.04	2019.01	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◊ Corrected fig. for Dec. 8.

	Dec. 13	Dec. 12	Dec. 11	Dec. 8	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1615.2	1612.7	1615.8	1626.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	813.8	806.8	801.0	803.4	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	461.46	462.89	459.09	(c)	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6443.28	6466.51	6507.61	6547.91	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	355.38	354.95	356.75	356.26	360.93 (6/12)	275.49 (27/2)
FINLAND						
Unitas General (1975)	617.5	617.1	615.2	613.7	815.8 (18/4)	580.8 (23/11)
FRANCE						
CAC General (31/12/82)	551.8	549.4	551.3	547.6	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	126.7	127.0	127.1	126.6	128.1 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	685.57	693.14	693.97	691.26	700.14 (7/12)	535.78 (27/2)
Commerzbank (1/12/53)	2024.0	2046.0	2047.6	2045.3	2068.9 (7/12)	1595.7 (27/2)
DAX (30/12/87)	1638.54	1653.07	1653.70	1650.79	1664.08 (7/12)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2851.84	2809.58	2763.33	2754.11	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1750.24	1732.71	1727.77	1717.20	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	664.04	663.97	664.52	(c)	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	38062.42	37803.53	37752.67	37724.06	38062.42 (13/12)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2878.46	2868.02	2873.66	2871.93	2879.02 (7/12)	2366.91 (6/1)
2nd Section (4/1/68)	3826.91	3803.87	3794.59	3779.96	3826.91 (13/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	263.4	262.3	263.7	263.8	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	202.1	201.2	202.3	202.5	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	668.85	658.56	659.79	654.54	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1103.28	1162.21	1211.82	(c)	1396.26 (20/11)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1464.29	1454.81	1448.54	1444.96	1464.29 (13/12)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	2224.0◊	2254.0	2206.0	2162.0	2254.0 (12/12)	1291.0 (15/2)
JSE Industrial (28/9/78)	2815.0◊	2809.0	2776.0	2750.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	915.72	879.46	844.75	864.50	1007.80 (3/4)	844.75 (11/12)
SPAIN						
Madrid SE (30/12/85)	303.03	303.35	303.85	(c)	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4156.0	4110.8	4072.9	4070.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	760.6	765.3	770.6	770.9	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	8619.41	8339.40	8176.08	8513.80	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	832.10	822.07	(c)	793.88	832.10 (13/12)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	559.3	556.4	556.6	559.3 (13/12)	487.6 (13/6)

**Saturday Dec. 9: Taiwan Weighted Price 8408.17 Korea Comp Ex. 850.02.
◊ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday December 13 1989

	Stocks Traded	Closing Prices	Change on day
Sanyo Elctrc	25.0m	872	+42
Sharp	20.0m	1,760	+80
C.Itoh	19.5m	1,180	+40
Mitsubishi	17.8m	1,940	+70
Marubeni	16.1m	1,070	+50
Sumitomo Mtl	15.8m	895	-5
Sumitomo	15.3m	1,720	+40
Mitsui	15.1m	1,320	+60
Nippon Steel	13.8m	802	-10
Oki Electric	13.6m	1,160	+20

2pm prices December 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	23	AAR	.48	1.4	22	68	35¼	35⅛	35⅛	
9⅝	8⅞	ACM n	1.01	11.		171	9⅛	9⅛	9⅛	+ ⅛
11⅝	10¼	ACMIn	1.26	11.		284	11⅛	11⅛	11⅛	
10	8	ACM M	n1.01	11.		254	9	8⅞	8⅞	+ ⅛
11½	10	ACM Sc	1.26	11		998	11⅛	11	11	- ⅛
9⅝	8⅞	ACMSp	1.01	11		391	9⅛	9⅛	9⅛	- ⅛
18	11½	AL Lab	.12	.7	17	120	16⅞	16⅞	16⅞	
4⅛	3⅛	AMCA	.12e	3.4	9	10	3½	3½	3½	
6⅛	4⅛	AM Int			9	514	4⅛	4⅛	4⅛	
23½	18½	AM In pf	2	11.		31	19	18⅞	18⅞	+ ⅛
107¼	51½	AMR			8	3346	65⅛	64⅞	64½	- ¼
6½	3⅞	ARX				141	3⅝	3½	3½	- ⅛
69¼	37⅞	ASA	3a	5.2		627	57⅞	57	57¼	-1½
30⅛	16⅛	AVX	.24	.8	29	2718	30	29⅞	30	+ ¼
70⅝	46⅛	AbtLab	1.40	2.2	17	8639	64¼	63⅛	64⅛	- ⅝
16¼	12⅛	Abitibi g	1			105	12⅛	12⅛	12⅛	
13	7⅞	AcmeC	.40	3.6	14	99	11⅛	10⅞	11⅛	+ ¼
9¼	6	AcmeE	.32	3.7	11	8	8⅝	8½	8⅝	+ ⅛
38½	22	Acuson			21	254	32	31½	31½	+ ¼
15⅝	12⅞	AdaEx	2.08e	13.		228	15⅝	15⅝	15½	
12⅞	6½	Adobe				1334	u13½	12⅞	13⅛	+ ⅞
19⅞	16½	Adob pf	1.84	9.6		125	19⅛	18½	19¼	+ ½
10½	7¼	AMD				3290	7⅞	7⅞	7⅞	+ ⅛
35	28½	AMD pf	3	10.		3	29¼	29⅛	29¼	
10⅛	6⅝	Advest	.16	1.8	13	49	9	8⅞	8⅞	
62½	46	AetnLf	2.76	4.6	10	1140	60⅛	60	60	- ½
14	11⅛	AflPb	.24	2.1		389	11⅞	11⅛	11⅛	- ⅛
25	15⅛	Ahmans	.88	4.8	9	1145	18½	18⅛	18½	+ ¼
3⅞	2¼	Aileen				44	2⅝	2½	2½	
48¾	39⅛	AirPrd	1.32	2.8	11	446	48½	45⅞	48⅛	+ ¼
39⅝	18⅞	AirbFrt	.60	1.6	19	135	38½	37⅛	37⅛	- 1
25⅛	14½	Airgas			13	14	23⅝	23½	23½	
20⅛	16⅛	Airlease	2.40	12.	11	18	20⅛	19⅞	19⅞	
24¼	21¼	AlaP	pf2.08e	9.6		40	21⅛	21⅛	21⅛	+ ½
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9⅝	8	PMST	1.10a	13.		1774	8½	8⅜	8⅜	
9¼	7⅞	PPrIT	1.14	14.		2135	8⅝	8½	8½	− ⅛
12	7	QMS			7	171	11⅜	11⅛	11⅛	− ⅛
1	5-32	Qantel				2482	7-32	3-16	7-32	
68⅞	49⅝	QuakrO	1.40	2.4	22	1525	59⅝	58⅞	59¼	+ ¼
19⅞	13⅝	QuakSC	.80	5.4	26	152	15	14⅞	14⅞	− ⅛
19	12½	Quanex	.40	2.7	7	226	14⅞	14⅞	14⅞	− ⅛
31⅛	25	Quanx pf2.28		8.8		10	26	25½	26	+ ⅝
59½	30¼	Quantm	3e	9.3	2	456	33	32⅞	32⅞	− ⅛
13⅞	10⅞	QstVl	1.20e	9.2		306	13	12⅞	13	
14	8¼	QstVC				814	13⅛	12⅞	13⅛	+ ⅛
39½	31½	Questar	1.92	4.9	16	76	39⅝	39⅛	39⅛	
19⅝	10⅞	QkRelly	.24	1.7	12	35	14⅝	14¼	14¼	+ ⅛
		−R−R−R−								
12	9⅞	RAC In	n1.20	11.		121	10⅝	10⅜	10½	
8¼	1⅞	RAC	.60e	27.		427	2⅛	2⅛	2⅛	
10½	7⅞	RLC	.20b	2.3	10	47	8⅞	8⅞	8⅞	
9½	6⅞	RLI Cp	.40	4.6	8	23	8⅝	8½	8⅝	− ⅛
19⅛	11⅛	ROC Fd				627	11⅞	11½	11⅞	+ ⅜
8⅛	5⅛	RPC			17	68	6⅞	6⅝	6⅞	+ ⅛
7½	5⅞	RPS n	.81e	14.		596	6	5⅞	5⅞	− ⅛
65¼	26⅝	Racal	1.21e	1.9	62	326	65	64⅛	64⅝	− ⅛
5⅝	2½	Radice n				21	3⅛	3	3⅛	+ ⅛
101½	78⅞	RalsPur	1.65	2.0	13	1117	82⅞	82⅜	82½	− ¼
15⅛	8⅝	Ramad				2484	10	9⅝	9⅞	+ ⅛
6⅝	4⅞	RangrO			28	1058	6	5⅞	6	+ ⅛
39¼	30¼	Raycm	.32	1.0	30	190	31	30⅝	30⅞	− ⅛
19⅝	10	RJamF	.20	1.2	7	32	16⅛	16	16⅛	+ ⅛
21	16	Raymr	2.00	14.	5	40	19⅞	19½	19½	− ⅛
3⅛	½	viRayte				70	1⅛	1⅛	1⅛	+ ⅛
85	64⅝	Raythn	2.20	3.1	0	2878	71	69½	70⅝	+1
5	15-16	RdgB n				288	4	3⅞	3⅞	− ⅛
17	15	REIT	1.38	8.8	11	95	15⅝	15⅝	15⅝	
16⅛	13½	RltRef	1.72	11.	9	8	15	14⅞	15	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45¼	29¼	Springs	1.20							
62⅞	47½	SquarD	2							
19⅞	12½	StBPac								
18⅝	13⅝	StdCm	.92							
12⅞	8⅝	StFdBk	.40							
20	13⅞	StMotr	.32							
19⅞	11⅞	StdPac	1.85e							
34½	21⅞	StdPrd	.92							
35½	18⅛	Stanhm	.80							
39¼	28	StanWk	1.08							
25⅛	21⅞	Starret	.84							
11⅛	9⅛	StatSe	1.08							
6⅛	3⅞	Steego								
11⅞	7½	StriBcp	.20							
18⅞	8⅞	StrlCh	1							
7⅞	5⅞	Stifel								
45⅞	34⅛	StneW	s1.20							
36⅞	24	StoneC	.72							
10⅝	5⅞	StonRs								
14½	10⅞	StorEq	1.40							
17⅞	9⅛	StorTc n								
30¼	13	StridR s	.40							
7⅝	6⅞	SunBh								
12⅞	9	SunDis	1.10e							
24⅛	13⅛	SunEl								
14	10⅞	SunEng	1.16e							
48	31⅞	SunCo	1.80							
63½	48⅛	Sundstr	1.80							
4⅛	2⅞	SunMn								
9⅝	8⅛	SunM pf1.19								
26⅞	19⅞	SunTrst	.84							
30⅛	22⅞	SupValu	.80							
26⅞	15	Suplnd s	.28							
25⅝	15⅛	SyblTc								
14	10⅛	SymsCp								

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅛	4½	Wyse				1765	9⅝	9⅝	9⅝	
		−X−Y−Z−								
69	56	Xerox	3	5.2	15	3103	57⅞	57⅛	57⅞	−1⅛
44⅛	23⅞	XTRA	.72	2.7	22	13	27	26⅞	26⅞	− ⅛
33	21⅞	XTRA pf1.94		8.4		7	23	23	23	− ⅛
4⅛	2	Zapata				4300	3⅞	3⅝	3⅞	+ ⅛
13⅛	7⅞	Zemex	.20	2.4		1	8⅛	8⅛	8⅛	+ ⅛
21½	11½	ZenithE				482	12½	12⅜	12½	− ⅛
2½	3-16	viZenLb				378	5-16	3-16	⅛	
21½	16	ZenNtl	.84	4.4	9	28	19	19	19	+ ⅛
10	6⅞	Zenix	1.20	16.		105	7⅝	7⅜	7⅝	
18½	12⅞	Zero s	.40	2.8	13	45	14⅝	14⅛	14⅛	− ⅛
44⅛	25⅞	Zurnln	.76	1.9	16	57	39⅛	38⅞	39	
12⅝	10	Zweig	1.12e	9.1		204	12⅛	12⅛	12⅛	
9⅞	8⅛	ZweigTl	.86	9.8		690	9⅞	9⅛	9⅛	− ⅛

Sales figures are unofficial.Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices December 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PrcCm s			41	5	4⅞	4⅞	− ⅛
Prism		14	2	3⅛	3⅛	3⅛	− ⅛
ProMed	.42	14	19	5⅛	5⅝	5⅝	− ⅛
−R−R−							

NASDAQ NATIONAL MARKET

2pm prices December 13

FINANCIAL TIMES Thursday December 14 1989

AMERICA

Demand for energy issues lifts Dow to early high

Wall Street

AN EARLY continuation of this week's buying of oil and gas stocks helped the broad market to a gain of 20 points in mid-morning before the buying faltered and the market came off its highs, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 13.66 points higher at 2,765.79, its best level since the October 13 mini-crash, on active trading of 125m shares. The Dow had ended 23.89 points ahead on Tuesday at 2,752.13.

Among other indices, the Standard & Poor's registered a healthy gain by midsession while the American Stock Exchange Index and the Nasdaq Composite were only marginally higher.

Although there was clear profit-taking after the substantial rally on Tuesday, which came mostly because of strength in energy stocks and in the face of continued weakness in computer issues, the market was still supported at higher levels by US retail sales gain in November.

Retail sales rose 0.8 per cent against expectations of a gain of 0.2 per cent or a fall of 0.4 per cent. Although most of the unexpected strength came in non-durables, the figure appeared to give some encouragement to the equity market.

Another, minor positive point was that the Treasury bond market did not react particularly negatively to the figures with the long end of the yield curve quoted up to ⅛ point higher at midsession.

There is little underlying direction in either the equity or bond markets, and it is unlikely until Friday's clutch of economic data which includes November producer prices, industrial production and capacity utilisation.

The rally in oil stocks faltered yesterday. It had come partly on expectations of higher crude prices but also, probably, because oil companies have just paid out dividends which appear to have been reinvested in oil company stocks.

Among oil stocks yesterday, Chevron was quoted $¼ lower at midsession at $67⅞, Mobil slipped $⅛ to $62⅞ and Exxon dropped $⅜ to $50⅞.

Precious metals stocks were also mixed after their rally on a higher gold price, after gold started to retrace some of its recent gains. Battle Mountain Gold dipped $⅜ to $17⅛ and Newmont Gold lost $1⅝ to $48.

Retailing stocks were highlighted yesterday as November's retail sales data was released.

F W Woolworth added $1⅞ to $63⅛, J C Penney gained $1⅛ to $71⅞ and Sears, Roebuck added $⅛ to $38¼.

Among featured individual stocks yesterday was UAL, parent company of United Airlines, which dropped $6¼ to $170. The board was scheduled to meet yesterday but sources said that the board was not likely to make any major steps towards an employee buy-out or any other major transaction.

Volvo AB of Sweden's ADRs listed on the over-the-counter market jumped $4¾ to $67¼ on news of its Procordia deal.

Canada

IN SPITE of early setbacks, Toronto stocks recovered by midsession on the back of strong U.S. retail sales figures.

The composite index gained 3.2 to 4,006.2 with volume of 19.7m shares. Declines headed advances 268 to 253.

Industrials made a marked recovery, offsetting weakness in golds, while oils rose on increased demand caused by the recent cold snap. Low supplies of oil and gas is creating a short-term boom in oil and gas share prices. Bow Valley jumped C$⅞ to C$12¾, Northstar gained C$¼ to C$5⅛ and Encor Inc rose five cents to C$3.05 to lead the oil and gas advance.

Poll worries ignored in Brazil rally

BRAZILIAN stocks have rallied vigorously in spite of growing tension over Sunday's presidential election, *writes John Barham in Sao Paolo.*

A 12.5 per cent surge yesterday took the Sao Paulo Stock Exchange Ibovespa index to 43,368 points. On Tuesday, the index jumped 15.5 per cent, its largest increase this year.

Fears over hyperinflation and the quality of government debt prompted the rise. Argentina's suspension of service on government paper drove Brazilian investors into equities.

Brasilia finances $70bn of debt on the overnight money market at a real rate of 6 per cent a month. Nominal rates have risen and inflation may rise by 48 per cent this month.

Investors say equities are hedges against hyperinflation because they represent claims on tangible assets and because private companies are soundly managed and liquid.

However, market operators fear prices could collapse should Mr Luis Inacio Lula da Silva, the left-wing Workers Party candidate, be elected.

TSE varies assault on speculation

Michiyo Nakamoto explains Japan's approach to margin trading

JAPAN's financial authorities, who seem to have a more difficult time living with market excesses than their western counterparts, have maintained a number of regulatory measures to ensure that trading does not get too far out of hand.

Last week the Tokyo Stock Exchange announced that it would tighten requirements for margin trading, in a bid to curb speculative activity which had been building up in the market. By reducing the valuation of securities lodged as collateral for margin trading, the TSE hoped to send out a signal to investors that the market was overheated.

This is the second time this year that the authorities have been obliged to step in. Investors got the message, but quickly and firmly decided to ignore it. After dipping 139 points in the first 15 minutes of trading last Wednesday, the day after the TSE announcement, the Nikkei average was back up 31.94 points within the first hour. After that it continued upwards, chasing new highs through the day. The index closed with a gain of 160.12 points at a record high for the third day running.

Margin trading, which allows the investor to trade on credit, was introduced to the Japanese stock market in 1951 and based on the US system of margin transactions. The system in Japan allows investors to buy securities at a fraction of their cost, by placing the collateral set by the TSE with the securities firm which carries out the transaction.

The idea was to encourage even individual investors, with limited means, to take part in the market. Although corporations are also allowed to buy on margin, financial firms and foreigners can only do so when the underlying securities have been submitted to a registrar.

In margin buying, the securities firm holds a proportion of the shares which are bought on margin as collateral; in a margin sale, where the firm lends the investor the shares, it holds the proceeds obtained as collateral.

In a typical move to cool market activity the TSE will, first, raise the collateral requirement. This time, however, since the collateral requirement was already fairly high at 60 per cent, the TSE decided instead to lower the valuation of the securities that are held as collateral, according to an Exchange official.

A lower value on the securities kept as collateral means that, in order to fulfil the required 60 per cent collateral figure, an investor needs to put down more than 60 per cent of the value of his purchase or sale.

These days, the application of tighter margin trading rules has more effect as an expression of the authorities' concern than as a concrete measure which puts pressure on the market.

It was different, once. "Like a series of body blows," is how one stock exchange official describes its effect in the market's earlier days.

Now, the individual investors who do most of the margin trading make up a smaller part of the market than when the system was originally devised.

The balance of margin buying for Japan's three stock markets reached a high of Y8.49 trillion ($58.8bn) at the beginning of this month. But the ratio of outstanding margin buying to total market capitalisation has been falling ever since it reached a peak of 2.01 per cent in December 1987. Lately the ratio has been lower than 1.5 per cent.

At the same time, Japan no longer has a liquidity problem. And those who do need to buy with borrowed money have plenty of other places to go to obtain funds, says Mr Toshiyuki Nishiguchi at Daiwa Securities. Moreover, those buying on collateral rarely buy up to the limit of that collateral.

The TSE may decide to go further in curbing the market's speculative zeal. Market wisdom has it that the first regulatory move actually gives a boost to bullish sentiment. It is only the second and third restrictive measures that really take effect. If those were to fail, the authorities could then resort to their well-publicised practice of "official guidance". In Japan, that can generally be counted on to have a high rate of success.

EUROPE

Exchange rate trepidation quells bourse enthusiasm

CURRENCY and interest rate worries took the excitement out of continental bourses yesterday, leaving a tendency towards puzzlement, irritability and some timidity in its place, *writes Our Markets Staff.*

PARIS was preoccupied with events in the foreign exchange markets and closed lower in subdued trade. The weakness of the dollar and the strength of the D-Mark raised questions about the direction of French interest rates and there was little other cheering news to offset the nervous mood.

However, one sector to move against the trend was oils, which were buoyed by rising prices for crude and by the strong performance of oil stocks on Wall Street on Tuesday. BP France showed the strongest gain, up FFr6.80 at FFr154.90, while the heavily capitalised Elf Aquitaine gained FFr10 to FFr514.

Speculative stocks which have shown strong gains in the past few days lost ground, with transport group Chargeurs falling FFr49 to FFr1,310. Paribas shed FFr12 to FFr678 as it emerged that it had failed to win control of its bid target, Navigation Mixte, which eased FFr7 to FFr1,900.

Leroy-Somer, the electric motors manufacturer, came back from suspension and climbed FFr150, or 7.6 per cent, to FFr2,122, just below the FFr2,125 per share friendly takeover offer from Emerson Electric of the US. There have been suggestions in the French press of a counter-bid.

The OMF 50 index ended 3.87 lower at 536.65, just above the day's low, and the CAC real time index was down 11.59 at 1,960.42. Turnover was estimated at FFr2bn.

FRANKFURT recovered on bargain-hunting in the second half of the session, but it still closed with a 14.53 fall in the DAX index to 1,638.54, after a midsession drop of 7.57 to 685.57 in the FAZ.

Prices were marked down before today's Bundesbank meeting. Yesterday's continued rise in the D-Mark against the dollar, and strength in the bond market suggested that an interest rate increase was unlikely, but thinking was unsettled by Swiss National Bank action on Lombard rates.

Volume virtually held its ground at DM7.1bn, Deutsche Bank topping the individual lists in turnover of DM1.3bn as it fell DM9.50 to DM768, on profit-taking after a satisfactory set of 10-month operating results. Daimler-Benz and Volkswagen were similarly hit, by DM15 to DM692, and by DM12.70 to DM500 respectively.

Chemical shares, neglected on the upgrade, bucked the downward trend with Bayer up DM4.60 to DM284.60, Hoechst DM2 to DM271 and BASF by 90 pfg to DM281. Schering put on DM13 to DM787.50 on several large orders from abroad.

ZURICH accelerated its narrowly-based decline as the Crédit Suisse index dropped 6 to 616.1, once again in thin trading. It did not like the Swiss National Bank's announcement that the floating Lombard interest rate, fixed daily, will now be set 2 points higher than the average of the previous two days' call money rates, doubling the usual premium.

The weaker dollar, and the sagging Swiss franc contributed to the nervousness and uncertainty in equities. Banks were hardest hit, with Union Bank bearers down SFr65 to SFr3,855.

AMSTERDAM remained very quiet, and weakened again under pressure from the falling dollar, which could hit export earnings, and from the absence of institutional investors. The fall in Daf's November commercial vehicle sales in the UK, and a disappointing forecast this week from Tulip Computers, also weighed on sentiment.

The CBS tendency index shed 1.2 to 184.3, even though Royal Dutch was up Fl 3.10 at Fl 149.40, as oil prices rose sharply because of the severe US winter.

ABN, the banking group, lost 90 cents to Fl 40.20 after announcing a placing of 9.4m new and 7.5m existing shares with institutional investors.

BRUSSELS fell for the third consecutive day as higher interest rates kept buyers away. The cash market index closed down 23.23 at 6,443.28. Recent speculative stocks were the hardest hit. Tessenderlo fell BFr300 to BFr10,125, while Metallurgie Hoboken Overpelt slid BFr275 to BFr21,100.

STOCKHOLM showed strong approval of the Volvo-Procordia deal involving the leading drugs group Pharmacia and food company Provendor. Volvo free B shares closed SKr20 ahead at SKr420, while Pharmacia free B shares gained SKr38 to SKr208.

The Affärsvärlden General index rose 13.3 to 1,218.6 in active trading as the market remained in optimistic mood. Analysts said the deal, Sweden's biggest, was good for both parties and raised hopes of Volvo securing agreement with another manufacturer for cooperation in its car division.

OSLO saw lively trading with Saga once again the focus of interest. Good news over the oil group's troubled North Sea well boosted its price NKr5 to NKr63. The all-share index closed 6.63 higher at 514.67.

MADRID eased 0.32 to 303.03 on the general index, awaiting today's inflation figures.

SOUTH AFRICA

JOHANNESBURG remained in positive mood in quiet trading, although early gains were pulled back by afternoon profit-taking. The all-gold index eased 29 points to a provisional 2,224.

ASIA PACIFIC

Nikkei average bursts through 38,000 level

Tokyo

A RENEWED burst of energy, and a wave of index-linked buying carried the Nikkei average above the 38,000 level for the first time yesterday, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei climbed throughout the day to close 258.89 higher at the day's high, a record 38,062.42, against a low of 37,830.87. Advances were 610, declines 321 and 207 issues were unchanged.

Turnover, at 874m shares, was only modestly higher than the 847m traded on Tuesday. The broad-based Topix index gained 10.44 to 2,878.46 and, in London, the ISE/Nikkei 50 index rose 0.38 to 2,174.9.

The Nikkei has seen a spectacular rise of over 2,000 points in the past three weeks. After breaching 36,000 on November 21 it shot up into the 37,000 range by the following week.

The Tokyo Stock Exchange's attempts to cool the market were all but ignored. Share prices maintained their upswing even after the Exchange announced plans last week to tighten regulations on margin trading, which would make it more difficult for investors to buy on credit.

Several favourable factors have converged to stimulate interest in equities. With attention focused on the Deutsche Mark, the yen-dollar market has been relatively stable.

Domestic interest rates have appeared to be peaking out, and signs of a slowdown in the US economy have begun to raise hopes of lower rates there.

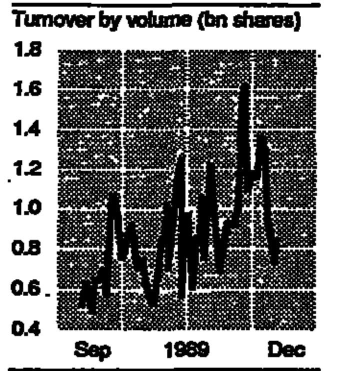
However, the improved balance of supply and demand has been a strong feature. "There is a structural excess of liquidity," says Mr Sachio Hori at Goldman Sachs.

Some analysts think that the shock of the October 13/16 international equity collapse jolted confidence in overseas bourses, leading investors to park funds in the domestic market. Others say that disenchantment with the bond market led to a shift of funds from that direction.

Although liquidity has been high for some time, Japanese institutional investors tend to have large cash positions, and to take things cautiously, says Mr Norio Watanabe at Crédit Suisse Investment Advisory Co. "But this time," he says, "they just could not hold back."

Tokyo SE

Turnover by volume (bn shares)



With an improved external environment, he added, the large number of investors who missed out on the blue chip rally earlier this year were coming in to improve their performance. Investors are well aware that January, traditionally, has been a very strong month – and that December usually sees a seasonal rally.

Interest yesterday shifted to smaller-capitalisation laggards, particularly among the electricals.

Sanyo Electric topped the actives list with 25m shares and rose Y42 to Y972. It was popular as a Soviet-related issue, since Sanyo has set up a representative office there.

Sharp, the consumer electronics company popular for its new generation crystalline liquid displays, was second in volume with 20m shares and added Y80 to Y1,760. Trading companies were pursued on the theme of trade with the Eastern bloc and C Itoh, third in volume with 19.5m shares, gained Y40 to Y1,160.

Activity in laggards kept Osaka on the upbeat and the OSE average rose 100.58 to 38,944.50. Volume was higher at 101.4m shares, up from 77.4m on Tuesday. Arabian Oil, favoured on expectations of higher oil prices ahead, gained Y700 to Y10,600.

Roundup

VOLATILITY faced many investors in the Asia Pacific region yesterday, as the politicians seemed to get into one market after another. Not all suffered from the incursion.

HONG KONG continued its rally in its highest volume for nearly two months, the Hang Seng index climbing 42.26 to 2,851.84, its highest level since June 4, for a two-day gain of 3.2 per cent. Turnover jumped from HK$1.06bn to HK$1.4bn.

The rally was spiced by the prospect of even more foreign buying as fund managers rejuggle regional portfolios to reduce exposure to the turbulent Philippines.

MANILA plunged for the third successive day, on what was again perceived as foreign selling in the wake of the recent coup attempt. The composite index shed 58.93 to 1,103.28, down 16 per cent since it reopened on Monday.

Proceeds of the First Philippine Fund, floated just prior to the coup attempt and listed on the New York Stock Exchange, will remain in the US if the political and economic situation in the Philippines dictates it, an adviser said yesterday.

SEOUL broke the record it had made only the previous day by jumping 36.26 points on the composite index, its largest rise ever in points terms, to close at 915.72. On Tuesday, it surged 34.71 after the Government announced measures to boost foreign investment and liquidity.

Trading was much heavier at 14.3m shares worth 300bn won, as a record of 1,036 stocks advanced and only six declined.

TAIPEI continued its upturn with a rise of 280.01, or 3.4 per cent, on the weighted index to 8,619.41. Volume rose to 1.1bn shares worth NT$116bn from Tuesday's 768m shares valued at NT$79m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY DECEMBER 12 1989						MONDAY DECEMBER 11 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	145.98	−0.3	134.97	123.70	−0.5	5.50	146.43	136.58	124.32	160.41	128.28	141.04
Austria (19)	165.78	+2.2	153.28	150.75	+1.2	1.61	162.24	151.32	149.03	172.22	92.84	97.36
Belgium (63)	149.39	+0.5	138.13	135.39	−0.6	4.11	148.63	138.63	136.16	150.00	125.58	133.82
Canada (122)	152.06	+0.6	140.60	128.06	+0.6	3.18	151.23	141.05	127.35	154.17	124.67	121.08
Denmark (36)	234.15	+1.0	216.49	214.56	−0.9	1.47	231.93	216.33	216.48	237.06	165.35	154.22
Finland (26)	130.28	+0.4	120.45	112.70	−0.7	2.50	129.81	121.08	113.50	159.16	118.63	133.74
France (126)	150.60	+2.0	139.25	140.09	+0.2	2.68	147.62	137.69	139.80	150.60	112.57	110.77
West Germany (96)	112.97	+1.8	104.45	101.87	+0.0	2.05	110.99	103.52	101.90	112.97	79.56	86.76
Hong Kong (46)	118.15	+1.9	109.24	118.42	+1.9	4.81	115.92	108.13	116.23	140.33	86.41	109.73
Ireland (17)	173.48	+1.5	160.40	161.77	+0.2	2.69	170.93	159.43	161.37	173.48	125.00	131.20
Italy (97)	93.81	+1.6	86.74	89.92	+0.0	2.54	92.33	86.12	89.92	96.73	74.97	83.97
Japan (455)	197.12	+0.2	182.26	179.24	−0.2	0.45	196.79	183.55	179.68	200.11	164.22	188.50
Malaysia (36)	215.46	+1.1	199.21	224.46	+0.9	2.36	213.16	198.82	222.56	215.46	143.35	141.85
Mexico (13)	301.25	−0.2	278.53	876.12	−0.2	0.59	301.85	281.55	877.88	326.61	153.32	174.99
Netherland (43)	139.26	+1.3	128.76	124.42	−0.4	4.28	137.42	128.18	124.97	139.26	110.63	109.86
New Zealand (18)	72.26	−0.8	66.81	64.12	−1.5	5.57	72.81	67.91	65.09	88.18	62.64	65.19
Norway (24)	189.61	+0.5	175.31	172.69	−0.3	1.58	188.64	175.96	173.15	198.39	139.92	133.63
Singapore (26)	173.87	+1.6	160.76	153.88	+1.0	1.95	171.16	159.65	152.31	173.87	124.57	119.84
South Africa (60)	188.04	+1.3	173.87	160.88	+1.4	3.56	185.68	173.19	158.66	188.04	115.35	121.35
Spain (43)	161.58	+1.2	149.39	137.89	−0.1	3.81	159.66	148.93	138.07	169.75	143.14	148.36
Sweden (35)	180.15	+2.3	166.56	167.55	+1.3	2.04	176.09	164.24	165.33	188.94	138.45	143.36
Switzerland (62)	92.02	+0.6	85.09	89.97	−0.7	1.99	91.47	85.32	90.57	94.16	67.81	78.31
United Kingdom (304)	154.12	+1.3	142.50	142.50	+0.5	4.35	152.06	141.85	141.85	158.41	133.28	133.33
USA (544)	142.41	+0.8	131.67	142.41	+0.8	3.28	141.25	131.75	141.25	146.29	112.13	112.56
Europe (991)	136.56	+1.5	126.26	125.13	+0.1	3.36	134.60	125.54	124.97	136.56	112.63	112.82
Nordic (121)	178.48	+1.5	165.02	158.08	+0.2	1.80	175.89	164.06	157.81	178.48	137.95	135.60
Pacific Basin (668)	192.11	+0.2	177.63	174.64	−0.2	0.69	191.75	178.85	175.01	194.72	160.44	183.33
Euro–Pacific (1659)	170.01	+0.6	157.19	154.84	−0.1	1.57	169.00	157.63	155.00	170.01	141.56	155.10
North America (666)	142.88	+0.8	132.11	141.50	+0.8	3.28	141.75	132.21	140.38	146.66	112.79	113.00
Europe Ex. UK (687)	124.69	+1.5	115.29	114.55	−0.1	2.70	122.80	114.54	114.64	124.69	96.30	99.76
Pacific Ex. Japan (213)	132.14	+0.5	122.17	117.90	+0.3	4.90	131.47	122.63	117.55	140.05	111.93	121.62
World Ex. US (1854)	169.64	+0.6	156.85	154.23	−0.1	1.63	168.62	157.28	154.33	169.64	141.49	153.59
World Ex. UK (2094)	159.33	+0.6	147.31	150.98	+0.2	1.94	158.36	147.71	150.70	159.33	136.98	138.27
World Ex. So. Af. (2338)	158.66	+0.7	146.70	150.09	+0.2	2.14	157.61	147.01	149.79	158.66	136.67	137.92
World Ex. Japan (1943)	140.68	+1.0	130.08	135.17	+0.5	3.37	139.24	129.88	134.44	140.68	114.51	113.42
The World Index (2398)	158.84	+0.7	146.86	150.15	+0.2	2.15	157.78	147.17	149.84	158.84	136.68	137.81

Constituent change 13/12/89: Deletion: Jaguar (UK). Latest prices were unavailable for this edition.